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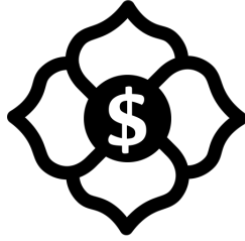
## **Covering All the Basics: Reforms for a More Just Society**

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# Covering All the Basics: Reforms for a More Just Society

## **Executive Summary**

Final Report of the  
British Columbia Expert Panel on Basic Income

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## Executive Summary

We Nisga'a have always organized our lives and society around a concept called Saytk'ilh Wo'osim, which means "Our Common Bowl." Under this principle, it is understood that since everyone relies on the same resources and community, all must contribute. It's about sharing energy, wisdom, spirit, joy, and sadness and it touches all aspects of life. It means no one gets left behind. Nisga'a government uses this principle to guide the delivery of healthcare, education, and social services.

—Chief Joseph Gosnell, "A First Nation, Again: The Return of Self-Government and Self-Reliance in Canada's Nisga'a Nation," 2003

All the members of human society stand in need of each others [*sic*] assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy. All the different members of it are bound together by the agreeable bands of love and affection, and are, as it were, drawn to one common centre of mutual good offices.

—Adam Smith, *The Theory of Moral Sentiments*, 1759

Our work has been guided by a vision of British Columbia becoming a more just society. A society where, in Adam Smith's words, the assistance we need from each other is "reciprocally afforded from love, from gratitude, from friendship, and esteem." A society where the recognition of the richness of life so eloquently described by Chief Joseph Gosnell leads us to the conclusion that we must act so that "no one gets left behind." While there are almost as many visions of what a just society looks like as there are people in this province, we believe that the shared vision of these expressions of hope and principle coming from such different cultures and times points to a way forward. All notions of justice arise from the idea that we owe each other the bases of self-respect and dignity and that we should treat each other as equals deserving of our respect.

The American philosopher Elizabeth Anderson (2017) provides a more concrete description of these bases of self and social respect: "We owe each other the rights, institutions, social norms, public goods, and private resources that people need to avoid oppression (social exclusion, violence, exploitation, and so forth) and to exercise the capabilities necessary for functioning as equal citizens in a democratic state."

Clearly, government policy on its own cannot deliver everything on this list of what we owe each other. But we believe that making positive changes in government policy can

help in moving B.C. toward becoming a more just society. Our charge was to think about both whether a basic income in and of itself is the most positive change B.C. can make, and how the principles that underlie the basic income concept can be used to inform other changes in policy.

We were guided by notions of what constitutes a just society, comparing existing and potential policies against a list of (always competing) characteristics that must be balanced to achieve just policies and programs: adequacy, accessibility, security, responsiveness, opportunity, social connection, policy stability, and reciprocity.

A central theme in our approach is that changes should be made not from the top down but in close consultation with groups who are affected by those changes: a consultation ultimately rooted in the human rights recognized in the *Charter of Rights and Freedoms* and through Canada's signature on international agreements. Indeed, this is what it means to consider policy from the perspective of creating a more just society. It means a shift from seeing the most vulnerable as others in need of help, to seeing them as equal participants in creating a better society.

We approached our task through consultations and discussions with affected groups, with citizens in general, and with the people in government who would be charged with making changes real and effective. We were greatly heartened by those conversations and the way they reflected the spirit of the words of Adam Smith, Chief Joseph Gosnell, and Elizabeth Anderson. We also commissioned and based our work on over 40 research projects from experts across Canada and beyond, examining elements of a basic income and of other prospective policies. This work also delved into the complex web of existing income and social support programs, as well as their gaps and interactions.

From our investigations, we have come to realize that the existing set of policies and programs provides a solid basis for reform. These policies and programs have been introduced and adjusted by various governments over decades and, in our opinion, have been substantively improved by changes in the last three years. Nonetheless, the current program environment does not constitute a system. Many gaps and inconsistencies remain, hampering the ability of the committed resources to provide the self-respect and social respect associated with a just society. Moreover, the program complex—built like a house that has had many renovations undertaken without an overall plan—treats some people without the dignity they deserve, despite the best efforts of the people working within the system to provide quality service. One of our

goals as a panel has been to propose changes that create a more complete, purposeful, and interactive approach to fulfilling society's common aims.

We were asked to “consider the viability of a basic income in B.C.” We have concluded that moving to a system constructed around a basic income for all as its main pillar is not the most just policy option. The needs of people in this society are too diverse to be effectively answered simply with a cheque from the government. A basic income is a very costly approach to addressing any specific goal, such as poverty reduction, which is part of our reasoning. We also found that many of the claims of the advantages of a basic income put forward by proponents are hard to substantiate and that the policy goals implied by these claims can be achieved as well or better with other approaches. Beyond that, though, we have concerns about what a basic income approach would imply for society. A basic income emphasizes individual autonomy—an important characteristic of a just society. However, in doing so it de-emphasizes other crucial characteristics of justice that must be, in our view, balanced: community, social interactions, reciprocity, and dignity. The basic income approach seems to us to be more individualistic than the way we believe British Columbians see themselves.

We share the belief in individual autonomy that proponents of a basic income express, but we believe that true autonomy is found only partly in monetary resources. It is also found in building supportive, mutually beneficial communities, and that is one of our underlying goals. In keeping with that goal, we believe all of this should be done with careful concern for building public trust—not just among those who most need support but also among those who will see themselves mostly as paying into the system. Our guiding philosophy is one of reciprocity, which inclines our analysis to address issues of economic impacts, incentives of policies, financing requirements, and B.C.'s fiscal capacity.

We were also asked if there were any areas that require further exploration with a basic income pilot. We have concluded that a pilot is not warranted. Many of the proposed benefits of a basic income have to do with changes people might make because they have a long-term, stable income source—changes such as investing in an education or starting a business. Even a five-year pilot would not be long enough to allow us to assess these claims. We already have plentiful evidence on shorter-term impacts from other research and pilots. Our preferred approach is to implement new policies incrementally, evaluating them rigorously and, most importantly, consulting thoroughly and widely, then making adjustments.

## Executive Summary

Finally, we were asked whether the spirit of a basic income could be applied to transform and enhance the current income and social support system. We have concluded that this is the best approach. B.C. needs a mixed system that applies different approaches in different circumstances. Our approach is twofold: identifying those groups most in need of improved support and proposing improvements focused specifically on them; and identifying how the system can be improved by enhancing consistency and the benefits delivery platform on which specific programs are built. Our evidence led us to conclude that the broad group whose basic needs are least well served are single, working-age adults, both single parents and those without children. Within that group, people with disabilities, youth aging out of care, women fleeing violence, the long-term unemployed and the working poor would benefit most from reform and expansion of specific supports.

Our set of 65 recommendations, summarized below, combine short- and longer-term measures to reform the current system using a diverse set of tailored policy approaches:

- Generally available basic services addressing unmet basic needs, like extended health supplements and rental housing assistance
- Targeted programs that combine cash transfers with wraparound social support for groups in transition, like youth aging out of care and women fleeing violence, and those facing high barriers to employment, who have more specific needs
- Targeted basic incomes where they are most helpful, such as for people with disabilities and youth aging out of care
- An overhaul of the Disability Assistance system, including for those with mental health and addiction issues, that emphasizes dignity and support for work for those who want it
- A reformed Temporary Assistance program, providing monetary benefits in a dignified and respectful way to those able to work and better facilitating transition to employment
- Adjustments to tax system—delivered benefits, such as an improved earnings supplement for the working poor and targeting the Child Opportunity Benefit more directly to children living in poverty
- Regulatory reform to create a more just labour market, improving wages and job conditions for low-skill, low-income workers—particularly beneficial for people

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whose often precarious situations have been highlighted by COVID-19: women, people with limited education and work skills, and Indigenous and racialized people

- Reforms to make the current set of programs more of a coordinated, consistent, and accessible system

Another way to look at our conclusions and recommendations is from the perspective of work. We have found that, despite claims to the contrary, any viable basic income would have disincentives to work similar to those of the current Income Assistance system. Throughout our recommendations we have sought to encourage work, including by lowering the “welfare wall” across the Income Assistance program and by providing extended health benefits generally to low-income individuals; providing supports to lower barriers to work; reforming labour regulation to improve wages and conditions for low-wage, low-skill jobs; and enhancing earnings supplements to benefit employed people with low incomes. All of these changes will improve the attractiveness of work more effectively than receiving cash benefits, reducing the emphasis on a requirement to work in favour of support for work. The result will be the dignity and self-respect provided by work for those who are encouraged to work, and economic and fiscal gains for society.

What does the future we envision look like? It is a future in which British Columbia is a place of mutual concern and mutual respect, where each person is supported to make the fullest contribution they can. Where no one is left behind. It is a place where government policy supports a strong sense of mutual concern, striving to use the full set of tools at its disposal to balance the desire for individual autonomy and the need for community. And it is a place where the reciprocity needed to build and maintain public trust is at the core of public discourse. Where everyone, from those whose contributions bring them the largest incomes to the most vulnerable, is treated as an equal whose opinions are listened to with respect. In short, it is a vision of a British Columbia that always seeks the elusive balance inherent in a just society, knowing that it is a never-ending quest.

## Summary of recommendations

### **Reform Disability Assistance (DA) into a targeted basic income**

1. Replace disability-related designations
2. Reform application process
3. Revise application forms
4. Eliminate DA asset test
5. Relax DA income test
6. Reform adjudication process
7. Eliminate reassessment
8. Convert DA to a targeted basic income
9. Increase DA benefit to the poverty line
10. Lower DA benefit reduction rate and maintain income exemption
11. Create public and community employment
12. Integrate support for addiction and mental health
13. Review addiction support

### **Reform Temporary Assistance (TA) to reduce the “welfare wall”**

14. Eliminate work-search requirement
15. Engage federal government on COVID-19 recovery benefit rationalization
16. Initially maintain current TA income test
17. Increase TA income test threshold in medium term
18. Eliminate TA asset test
19. Extend TA streamlined reapplication
20. Increase TA benefit levels by making COVID-19 emergency \$300 supplement permanent
21. Lower TA benefit reduction rate and maintain income exemption
22. Evaluate training support
23. Expand earnings supplement

### **Provide extended health-care benefits to all low-income individuals**

24. Convert extended health supplements to a basic service



### **Provide housing support to all low-income renters**

- 25. Combine Income Assistance support and shelter allowances
- 26. Expand targeted supportive housing
- 27. Institute a B.C. Rent Assist refundable tax credit

### **Provide intensive work support to targeted groups**

- 28. Establish Assisted to Work basic service
- 29. Establish a joint rehabilitation and work support agency

### **Enhance support for low-income families with children**

- 30. Refocus the Child Opportunity Benefit

### **Enhance financial and support services for young adults**

- 31. Increase Ministry of Children and Family Development resources
- 32. Enhance transition planning and community support capacity
- 33. Extend Agreements with Young Adults education and training duration
- 34. Enhance Agreements with Young Adults life-skills support
- 35. Extend Assisted to Work eligibility to former youth in care
- 36. Create targeted basic income for former youth in care
- 37. Initiate basic income with community support engagement
- 38. Mandate a ministry to support former youth in care
- 39. Establish a B.C. Learning Bond
- 40. Contribute to B.C. Learning Bond for children in care
- 41. Create a B.C. Career Trek program

### **Enhance financial and support services for people fleeing violence**

- 42. Enhance housing for people fleeing violence
- 43. Create a three-tiered domestic violence program

### **Improve precarious employment through labour regulation reform**

- 44. Develop gig work employment standards
- 45. Review *Employment Standards Act* exclusions

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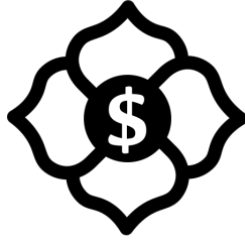
46. Enhance proactive *Employment Standards Act* enforcement
47. Improve employment standards for fissured work
48. Review *Labour Relations Code* unionization provisions
49. Proactively facilitate industry advisory councils
50. Extend *Labour Relations Code* successor rights
51. Rationalize employee definitions across programs

### **Improve the way benefit delivery platforms function**

52. Combine refundable tax credits into Dogwood Benefit
53. Rationalize income definition for income-testing purposes
54. Engage federal government to reduce tax-filing barriers
55. Engage federal government to increase tax and benefit delivery responsiveness
56. Engage federal government to streamline administrative tax data-sharing
57. Develop an identification and verification platform for non-tax filers to increase benefits access
58. Automate informing applicants of eligibility for other programs
59. Enhance cross-program system navigation
60. Establish system governance
61. Index Income Assistance rates to changes in the poverty line
62. Increase Income Assistance staff resources
63. Rigorously evaluate major reforms
64. Create linked administrative data for policy development

### **Make ongoing engagement a permanent part of all policies**

65. Set up a human rights-based approach to engagement with those affected



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## Acknowledgements

The development of this report has been a two-year journey through which we have become fast friends and from which we have learned a great deal. We owe many debts of gratitude and of learning. To start, we are very grateful to have been given the opportunity to work on this project, and for that we thank the government of Premier John Horgan and, in particular, the minister who initiated the project, Shane Simpson, and the current minister, Nicholas Simons. We were given considerable resources, excellent data, and intellectual freedom. We have tried our best to justify the trust put in us.

We cannot mention the government that gave us this charge without, in the same breath, mentioning the Green Party of BC, which made the requirement to investigate a basic income one part of the agreement on which the minority NDP government was based before the most recent election. We are particularly grateful to the leader of the Green Party at the time this panel was selected, Andrew Weaver, and the current leader, Sonia Furstenu. We have had supportive relations and good conversations on basic income with both.

Molly Harrington was the person in charge of supporting our work within the Ministry of Social Development and Poverty Reduction. Molly threw herself into this project, finding time to make sure we got what we needed even when her desk was overflowing with other obligations. We greatly appreciate the fine balance she found in supporting us and giving us advice where needed while respecting our independence—and she did it all with good humour. Rob Bruce was the person tasked with finding a way to meet most of our (sometimes unreasonable) demands. He worked tirelessly and effectively for this project. Both Molly and Rob represent the best of the civil service—giving long hours and their considerable commitment to public service. Molly even delayed her retirement to see this project through. It's hard to imagine greater commitment than that. David Galbraith, Deputy Minister of Social Development and Poverty Reduction, provided unwavering support and valuable insights to the project, ensuring a smooth working relationship with his ministry and across government.

Our work is built on the backs of over 40 researchers who signed up to help by writing papers on everything from financial literacy to child poverty. We are very grateful to them for their time and expertise. We learned a lot from them, and we know that anyone who goes to the [website](#) to read the reports they wrote will as well. We would particularly like to mention Bill Warburton, who served as the data guru for all the researchers who used B.C. data, as well as contributing his own considerable research expertise. His enthusiasm for doing good with data is infectious. It certainly infected many parts of this report.

We also employed a troop of graduate and post-doc research assistants who made considerable contributions. They are a group to keep an eye on in years to come, because they will have much to say about public policy in Canada. They include Jeff Hicks, Gaelle Simard-Duplain, and Marcelo Sacchi at the University of British Columbia, and Gillian Petit, Anna Cameron, and Daria Crisan at the University of Calgary.

We held an open online forum for public contributions to our discussions and we are grateful to the people who took the time to voice their opinions and concerns. We also met with a variety of organizations representing different groups in society, to hear their opinions and benefit from their expertise. The groups we talked with included (in no particular order) the Basic Income Canada Network, Living Wage for Families Campaign, the Business Council of British Columbia, Ishtar Women's Resource Society, the Public Health Association (with special thanks to Dr. Reka Gustafson and Dr. Patty Daly), the Fraser Health Authority, 411 Senior's Centre, Vancouver Rape Relief, New Westminster Poverty Reduction, Asian Women for Equality, Livable Income Vancouver, and the New Leaf Project. We greatly benefited from having Seth Klein's help in organizing and moderating many of these discussions. As anyone who knows Seth knows, having his wise council is always invaluable. The B.C. office of the

Canadian Centre for Policy Alternatives offered the opportunity to give a public lecture on basic income, which in turn generated a great opportunity for talking with people who cared. The contributions of the co-panelists that evening (Chuka Ejeckam, Trish Garner, and Margot Young) were particularly insightful.

We were able to tap into a rich vein of wider opinions and contributions by going through the submissions and discussions of the BC Poverty Reduction Coalition. Their work was very thorough and valuable, and we are grateful to have been able to use it. Their work was so comprehensive, in fact, that several groups we asked to talk with referred us to their contributions to that consultation because they felt they had already had a thorough opportunity to express their opinions.

We benefited greatly from access to linked administrative data through the Data Innovation Program in the Ministry of Citizens' Services. This is a very important initiative and if it did not exist, our report would not exist. Their approach was one of continually asking how they could help, always striking the important balance between providing the data needed for effective policy research and protecting the confidentiality rights of the people in the data. We accessed the data through Population Data BC. Its staff are a model of efficiency and helpfulness; we can't thank them enough. We also were able to link some B.C. data with data held by Statistics Canada and then access the data through the secure regional data centres. We are grateful for their work and support.

After the first complete version of this report was drafted, Molly Harrington took the lead on soliciting input from the various ministries across government whose work is related to our recommendations. Specifically, the Ministry of Children and Family Development, the Ministry of Labour, the Ministry of Health, the Ministry of Finance, and the Ministry of Municipal Affairs and Housing, as well as staff within the Ministry of Social Development and Poverty Reduction itself. Leah Squance was very effective at bridging between the concerns of the ministries and our responses. We are very grateful to Leah and to the people in those ministries who contributed considerable time and expertise to point out some of our errors, give helpful advice on feasibility, and generate cost estimates. The report is much improved because of their contributions. We apologize to them for any remaining errors or omissions.

The simulations that form the core of our report were done in two parts. The first part was done inside the Ministry of Finance by Jonathan Baron. The Ministry of Finance caught on to how valuable an asset Jonathan is at about the time we started, so that his responsibilities there seemed to increase by the day. Jonathan found a way to get the simulations done in spite of having many other obligations in the ministry—often doing them on his own time, we believe. The second part of the simulations were done by Robin Shaban—possibly the most knowledgeable person about how to use the SPSP/M model in Canada. She created masses of simulations for us in short order, with good advice and good humour thrown in.

Finally, and most importantly, the three panel members want to express our tremendous gratitude to Dan Perrin. This is a bit odd because Dan is one of the main writers of the report and also a main contributor of ideas. This, in fact, may be the only passage in the whole report that his pen hasn't touched. But we have the pen for the moment so we get to express our thanks. A true accounting of what Dan has done in this report would go on for pages. He prodded and guided us to get to the point of having a complete report—always with good humour and a lot of patience. He also gave his substantial expertise (several parts of this report are built on insights from other expert panels whose reports he helped to write) and his ideas—the true coin of the realm for us as academics. To our minds, he is a full co-author of this report. He is also a lot of fun to work with.

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## Abbreviations

AYA	Agreements with Young Adults
BC Housing	British Columbia Housing Management Commission
BCLI	British Columbia Law Institute
BE	break-even level of income
BRR	benefit reduction rate
CCB	Canada Child Benefit
CEIP	Community Employment Innovation Project
CERB	Canada Emergency Response Benefit
CIS	community integration specialist
CLB	Canada Learning Bond
CLBC	Community Living BC
COB	B.C. Child Opportunity Benefit
CPP	Canada Pension Plan
CPP-D	Canada Pension Plan disability benefits
CPS	Current Population Survey
CRA	Canada Revenue Agency
CWB	Canada Workers Benefit
DA	Disability Assistance
DTC	disability tax credit
EAW	employment and assistance worker
EI	Employment Insurance
EITC	Earned Income Tax Credit
ESA	<i>Employment Standards Act</i>
ESB	Employment Standards Branch
ETW	Expected to Work
ETW-MC	Expected to Work—Medical Condition
FNLC	First Nations Leadership Council
G	guarantee
GDP	gross domestic product
GIS	Guaranteed Income Supplement
GST	goods and services tax
HOG	home owner grant
HST	harmonized sales tax
IA	Income Assistance

LFS	Labour Force Survey
LICO	low income cut-off
LIM	low income measure
MBM	Market Basket Measure
MCFD	Ministry of Child and Family Development
METR	marginal effective tax rate
Mincome	Manitoba Basic Annual Income Experiment
MMI	Maximum Medical Improvement
MMR	median market rent
MPD	Moderate-Persistent Disability
MSP	Medical Services Plan
NIT	negative income tax
OAS	Old Age Security
OHIP	Ontario Health Insurance Plan
OSAP	Ontario Student Assistance Program
PIT	personal income tax
PPMB	Persons with Persistent Multiple Barriers
PST	provincial sales tax
PTR	participation tax rate
PWD	Persons with Disabilities
RAP	Rental Assistance Program
RESP	Registered Education Savings Plan
RGI	Rent Geared to Income
RTC	refundable tax credit
SAFER	Shelter Aid for Elderly Renters
SPD	Severe-Persistent Disability
SPSD/M	Social Policy Simulation Database and Model
SRO	single-room occupancy
TA	Temporary Assistance
TBI	traumatic brain injury
TUW	Temporarily Unable to Work
UBI	universal basic income

## Glossary

**basic income:** a policy that guarantees all members of a society a minimum amount of income in a given period

**basic services:** a set of publicly provided in-kind benefits that ensure that people can meet important basic needs, which generally include services associated with health, housing, education, security of people and property, transportation, and others

**benefit:** a payment or service provided by the income and social support system

**benefit reduction rate (BRR):** the rate by which the guarantee amount is reduced by other income

**break-even income (BE):** for a basic income (refundable tax credit or negative income tax), the level of income above which basic income payments are no longer received

**Canada Emergency Response Benefit (CERB):** a benefit available to those affected by the COVID-19 pandemic

**Canada Revenue Agency (CRA):** the federal tax collection authority

**cash transfers:** payments that provide people with additional financial resources to meet their basic needs

**Current Population Survey (CPS):** U.S. survey roughly equivalent to the Canadian Labour Force Survey

**Disability Assistance:** the component of Income Assistance that provides assistance to those who have been designated as a Person with Disabilities (PWD) as defined by the program and who meet other eligibility criteria

**fissured workplaces:** workplaces owned by firms that focus on their core business and leave other tasks (such as food preparation, security guards, care home services, and janitorial services) to subcontractors

**generally applicable basic income:** a basic income that applies to the entire population

**guarantee (G):** the minimum income guaranteed by the basic income, or in the case of an income-tested cash transfer other than a basic income, the maximum benefit payable

**Gini coefficient:** a measure of inequality that falls in a range between 0 (perfect equality in which everyone has the same income) and 1 (perfect inequality in which all income goes to one person)

**goods and services tax (GST):** the federal value-added tax on most goods and services

**harmonized sales tax (HST):** a provincial value-added tax on most goods and services harmonized with the GST and collected on behalf of the province by the Canada Revenue Agency

**home owner grant:** property tax reduction program for B.C. primary residences

**income and social support system:** the set of cash-transfer programs (income support programs) and in-kind benefit programs intended to benefit those in need because of limited resources (social supports)

**Income Assistance:** the core of B.C.'s income and social support system, providing a mix of cash-transfer and basic service supports to eligible people

**in-kind benefits:** goods and services, often referred to as basic services, that help people meet specific needs

**Labour Force Survey:** a monthly Statistics Canada survey that measures the current state of the Canadian labour market

**marginal effective tax rate (METR):** measures the tax loss from earning one more dollar of income, beginning at some initial level of income.

**Market Basket Measure (MBM):** the approach taken by Statistics Canada to measuring poverty by setting the poverty line in relation to the cost of a basket of basic needs in a particular location for a particular type of household

**negative income tax (NIT):** a form of basic income that adjusts benefits on the basis of income data collected periodically within the year

**participation tax rate (PTR):** the total tax loss and benefit reduction at given levels of income compared with not working (the loss from moving from not working to taking a job with a given income)

**Persons with Disabilities (PWD):** the Income Assistance designation for people who are eligible for Disability Assistance (Note: Throughout this report, PWD is used only for those eligible for DA; no abbreviation is used when people who have disabilities are referred to without reference to DA)

**Persons with Persistent Multiple Barriers (PPMB):** the Income Assistance designation for people who have a persistent medical condition as well as at least one other barrier to employment that seriously impedes their ability to work and who meet other eligibility criteria

**refundable tax credits (RTC):** tax credits that provide a set level of benefits for a year at a time based on income earned in the previous year; a form of targeted basic income

**rent geared to income (RGI):** a subsidized housing program in which eligible families pay no more than an established proportion of their family income in rent and direct housing costs, usually 30%; eligibility is determined by residency status and family income, which varies by location within the province

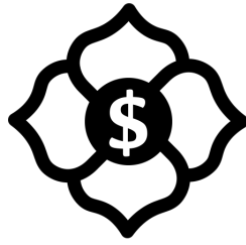
**targeted basic income:** a basic income design that limits benefits to people who meet defined eligibility criteria

**Tax Collection Agreement (TCA):** an agreement between British Columbia and Canada under which Canada collects income taxes on behalf of the province (other provinces have similar agreements)

**Temporary Assistance:** the component of Income Assistance that provides cash transfers and in-kind benefits to those in need who meet eligibility requirements

**universal basic income (UBI):** a basic income in which everyone receives a cash transfer in every period, with no conditions, no eligibility requirements except residency in the jurisdiction, and as a result, everyone is guaranteed a minimum amount of income

**welfare wall:** a notional barrier created by various features of traditional income support programs that both limit access to the program as the funder of last resort and discourage recipients from exiting the program for work, particularly high rates of benefit clawback due to earned income



# Part 1: Introduction and Summary

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## 1. The task

On July 3, 2018, the Government of British Columbia announced the creation of an expert committee to “test the feasibility of a basic income in BC and help find ways to make life better for British Columbians.”<sup>1</sup> This is the report of that committee, the Expert Panel on Basic Income, which is composed of:

- David A. Green (Chair), Professor, Vancouver School of Economics, University of British Columbia
- Jonathan Rhys Kesselman, Professor Emeritus, School of Public Policy, Simon Fraser University
- Lindsay M. Tedds, Associate Professor, School of Public Policy, University of Calgary

The report is authored by the panel members and Daniel Perrin, Principal, Perrin, Thorau and Associates Ltd.

### 1.1 Terms of reference

The Expert Panel on Basic Income was established in response to a commitment in the *2017 Confidence and Supply Agreement between the BC Green Caucus and the BC New Democrat Caucus*. Among the policy initiatives that the two parties agreed to pursue under the agreement was the following:

4. Making life more affordable
  - a. Design and implement a province wide poverty reduction strategy that includes addressing the real causes of homelessness, including affordable accommodation, support for mental health and addictions and income security.
    - i. One aspect of the poverty reduction strategy is to design and implement a basic income pilot to test whether giving people a basic income is an effective way to reduce poverty, improve health, housing and employment.

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<sup>1</sup> Terms of Reference: BC Basic Income Pilot Assessment (see Appendix 1-A).



## Part 1: Introduction and Summary

In March 2019, the Minister of Social Development and Poverty Reduction introduced a provincial poverty reduction strategy that served as an overarching framework for the panel.

The terms of reference for the panel, included in Appendix 1-A, stated that we had two broad tasks, which were to:

1. “consider the viability of a basic income in BC and support the simulation of various basic income models in BC to identify impacts and financial implications,” and
2. “look at BC’s existing income and social support system and how elements and principles of a basic income could be used to transform and enhance it”

The panel was also expected to “outline any areas that could be explored further through a basic income pilot, as well as pilot design.”

The tasks set out for us were both a daunting challenge and a rare opportunity to make recommendations for reshaping the current system to make life better for British Columbians.

### 1.2 Our approach

Our work has been guided by a vision of British Columbia becoming a more just society. A society where, in Adam Smith’s words, quoted at the outset of our report, the assistance we need from each other is “reciprocally afforded from love, from gratitude, from friendship, and esteem.” A society where the recognition of the richness of life so eloquently described by Chief Joseph Gosnell leads us to the conclusion that we must act so that “no one gets left behind.” While there are almost as many visions of what a just society looks like as there are people in this province, we believe that the shared vision of these expressions of hope and principle coming from such different cultures and times points to a way forward. All notions of justice arise from the ideas that we owe each other the bases self-respect and dignity and that we should treat each other as equals deserving of our respect.

The American philosopher Elizabeth Anderson (2017) frames the bases of self- and social respect in terms of what we owe each other as fellow citizens: “We owe each other the rights, institutions, social norms, public goods, and private resources that people need to avoid oppression (social exclusion, violence, exploitation, and so forth) and to exercise the capabilities necessary for functioning as equal citizens in a democratic state.”

Clearly, government policy on its own cannot deliver everything on this list of what we owe each other. But we believe that making positive changes in government policy can help in moving B.C. toward being a more just society. Our charge was to think about both whether a basic income in and of itself is the most positive change B.C. can make, and how the principles that underlie basic income concept can be used to guide other changes in policy.

We were guided by notions of what constitutes a just society, comparing existing and potential policies against a list of (always competing) characteristics that must be balanced to achieve just policies and programs: adequacy, accessibility, security, responsiveness, opportunity, social connection, policy stability, and reciprocity.

A central theme in our approach is that changes should be made not from the top down but in close consultation with groups who are affected by those changes: a consultation ultimately rooted in the human rights recognized in the *Charter of Rights and Freedoms* and through Canada's signature on international agreements. Indeed, this is what it means to consider policy from the perspective of creating a more just society. It means a shift from seeing the most vulnerable as others in need of help, to seeing them as equal participants in creating a better society. In practical terms, it means that we see our recommendations not as a menu of fully developed and immediately implementable policies but as a starting point for the conversations we see as part of the definition of a just society.

We approached our task through consultations and discussions with affected groups, with citizens in general, and with the people in government who would be charged with making changes real and effective. A wide set of groups with interests ranging from poverty reduction to the dignity and well-being of vulnerable women, from assistance for people with disabilities to business competitiveness, have provided input through a variety of means. We also solicited submissions from the general public to inform our work and undertook a survey of British Columbians to gauge their opinions on specific forms of a basic income. We were greatly heartened by those conversations and the way they reflected the spirit of the words of Adam Smith, Chief Joseph Gosnell, and Elizabeth Anderson.

Key to our approach is an extensive program of research consisting of over 40 studies produced by a multidisciplinary team of researchers associated with universities and research organizations throughout Canada and beyond. This research has not only provided the evidentiary basis to support our work but also represents a significant contribution to the knowledge base for many topics related to social supports and basic

income. An important innovation underlying the quantitative part of the research agenda was the use of linked, de-identified comprehensive public sector databases. All of the research papers are available in a companion website along with other materials supporting this report,<sup>2</sup> and much of the knowledge contained in them will also be used to support further publications authored by members of the research team.

The research program has produced papers related to several themes, including:

- a description of the current system
- the gaps in the current system and their impacts on the lives of British Columbians
- design and implementation considerations for a basic income in the B.C. context
- the programs and system reforms that could or should be considered to move B.C. toward a more just society

Further information on the papers is provided in Part 3, Section 6 (Panel Engagement).

We have authored or co-authored several of the papers, acting in our capacity as individual researchers rather than as members of the panel. These papers are not always fully consistent with the conclusions and recommendations presented in Part 6 of the report, or with the analysis presented throughout the report. That should not be interpreted as a difference of opinion among us; we are all fully in agreement with and have signed off on the report. Rather, the differences should be taken as evidence of our evolving thought process on this complex issue, to which there are no absolute right answers. In many cases, the papers were prepared over several months before we began to deliberate, or were prepared as the basis for further discussion that led to our ultimate consensus.

Just as the COVID-19 pandemic has significantly affected virtually all aspects of daily life, so too has it affected our work. It has limited some of the quantitative research that was in progress when the facilities being used to access data were closed. It has raised the public profile of a basic income as a policy option, with several commentators proposing it as a mitigation measure. The pandemic has also altered the policy landscape in fundamental ways, creating a new starting point from which to consider adding a basic income. It has raised the issue of how best to provide social support when financial crises hit. And it has served to reinforce many of the observations and

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<sup>2</sup> See <http://www.bcbasicincomepanel.ca>

conclusions that we had already reached, all of which are addressed in the report. Nevertheless, the report remains focused on the tasks set out for us.

### 1.3 Indigenous people and communities

When planning our work, one of the issues we grappled with was how best to approach questions related to a basic income and current system reforms within an Indigenous context, acknowledging our lack of expertise and experience in this area. We quickly recognized the importance of including a research study focused on income and social support issues unique to Indigenous Peoples.

To ensure that this critical element of work was undertaken in an effective, respectful, and inclusive manner, ministry staff engaged with B.C.'s First Nations Leadership Council (FNLC). In consultation with the FNLC, a collaborative partnership was established between the FNLC and Dr. Anke Kessler of Simon Fraser University. Additional academic support was also provided by Dr. Fernando Aragon (Simon Fraser University) and Dr. Jacqueline Quinless (University of Victoria). The main goal of this project is to gather data on the incomes of Indigenous people.

This partnership model ensured that First Nations leadership was at the forefront of all aspects of the project, including developing the research questions and methodologies, and involving First Nations communities across the province.

Initially, the project gained traction and momentum; we proceeded with collecting and analyzing the data, and, in collaboration with the FNLC, reached out to all B.C. First Nations communities, inviting them to participate in the project through community-based research surveys. However, much of this work was either precluded or hindered by the COVID-19 pandemic.

It is critical that this work be done in a way that is respectful and inclusive of the people and communities who will be affected by any recommendations and resulting changes. That means taking the time necessary to include the input and perspectives of those impacted.

From our efforts to date, and from studying publicly available secondary data and existing literature, some key themes are beginning to emerge. However, given the limitations we faced due to the pandemic, we recommend postponing any discussions or decisions until this aspect of the research can be fully completed through a process that includes respectful and inclusive consultation with Indigenous Peoples.

## Part 1: Introduction and Summary

We understand that both the Ministry of Social Development and Poverty Reduction and FLNC are committed to continuing this process and that Anke Kessler will continue to lead the team undertaking this important work.

## 2. Report summary

Through this report, we endeavour to present comprehensive, consistent, and evidence-based advice to the B.C. government in response to the tasks set out in the terms of reference. We do this in six parts, which:

- introduce our task and provide a summary of the report (Part 1)
- present a justice-based framework within which we can analyze the alternatives (Part 2)
- provide background information used throughout the report (Part 3)
- describe and analyze the current system (Part 4)
- describe and analyze potential basic income programs (Part 5)
- present our vision for the future and a set of recommendations that will move B.C. on the path toward that vision (Part 6)

The following sections summarize the topics addressed, and the main insights and conclusions we came to, in Parts 2 to 6 of the report.

### 2.1 Part 2: Analytical Framework

Our mandate included the directives to both consider a basic income as a policy tool on its own and examine “how elements and principles of a basic income could be used to transform and enhance” the existing support systems. We quickly realized that focusing on the principles of a basic income tended to steer us back toward choosing a basic income and that we needed a broader perspective from which to compare different policies. We found that perspective by framing our evaluations in terms of the impacts of policies in making British Columbia a more just society. Admittedly, though, the standard of justice is potentially vague. Moreover, we were keenly aware that British Columbians hold many different ideas of what constitutes a just society, and we wanted a standard that is commensurate with as many of those ideas as possible. In Part 2 of the report, we specify an analytical framework for evaluating how well alternatives are aligned with a goal of justice, broadly defined. In this section of the report, we attempt to make the justice theme concrete enough to be practically applied as the basis for analysis.

In an attempt to find a common basis from which to discuss what constitutes justice, we start Part 2 with a discussion of the fundamentals of human nature. As Aristotle

famously stated, humans are social animals in need of each other's support both for productive reasons and as the source of our feelings of well-being. This is the sentiment described in the quote from Adam Smith at the beginning of our report. The most effective societal institutions recognize and enhance our social nature as well as our individual nature. Smith himself argues that while one can construct a functioning society based only on self-interest, it will not be as good as one that also acknowledges our mutual sympathy.

At the same time, we are individuals with very heterogeneous notions not only of our own goals and preferences, but also, often, of what makes a fair society. In practical terms, that means public policy choices should support individual liberties, including people's right to hold their own notion of justice rather than imposing a specific theory or emphasizing a certain notion of fairness.

Recent liberal thinkers, including John Rawls, argue that the central problem of justice is how to balance our social nature with individual rights. Rawls also argues that just institutions are equilibrium constructs: they should embody notions of justice but also engender support for those notions of justice among citizens, who are free to exercise their rights. That implies a need to build trust both in the institutions and in fellow citizens. A key question concerning a big policy tool like a basic income, or alternatively a fundamental reform of the existing income and social support system, is whether it supports that trust. Is it something that both the beneficiaries and those who ultimately pay for it see as part of a just society? Searching for policies that form an equilibrium in this sense is of central importance if we want the policies to last and to help in creating a society in which "assistance is reciprocally afforded."

How, then, does one find a basis for standards that would be recognized as just by wide sets of people with differing views? We argue that virtually all discussions of justice—from the Nisga'a notion of the Common Bowl to Adam Smith to those of modern philosophers such as John Rawls or Elizabeth Anderson—are rooted in providing the means of self-respect and social respect (the respect we get from others in our community). The bases of self-respect and social respect are found in the very structure of society. They are founded, in part, on family arrangements and social arrangements in a community. For that reason, it is important to consider how any policy affects people's ability to make social connections and children's ability to form key attachments that support their future ability to feel like they have autonomy, control, and social connection. Self- and social respect are also founded on the roles that people play in the productive process, broadly defined. This does not have to be limited to roles as employees in public or private enterprises—though that is certainly a key element—but also roles such as caring for others, helping to construct community projects, building human capital, and creating new enterprises. Public policy and institutions alter

people's roles in society and, with them, their sense of self- and social respect. In this sense, notions of justice cannot be separated from the functioning of the economy.

Focusing on respect reveals an immediate, practical implication: this focus is inconsistent with the idea of social support as charity rather than as an element of a just society. Charity, historically often the impetus behind traditional income and social support programs, is laden with moral judgment about who deserves support, and that very judgment saps self- and social respect. By underpinning our principles with the idea of justice, from the outset we reject the use of distinctions between the “deserving” and “undeserving” as a basis for the design of support systems.

Self- and social respect are concepts that are tightly tied to what psychologists describe as the needs we all must have fulfilled in order to have a sense of living a good life: the need for a sense of autonomy; the need for a sense of efficacy or competence; and the need for social connection. We use the insights from these descriptions of human needs to form a list of characteristics that a policy would have to exhibit to fit with our notion of justice based in self- and social respect. We can divide that list of characteristics into groupings based on the three psychological needs: autonomy, efficacy, and social connection.

### Autonomy

1. **Adequacy.** True autonomy means that a person's resources must be *adequate* to raise them above destitution, which would instead require them to adopt positions of subservience in order to survive. The term “resources” is used here advisedly because, as will be seen throughout the report, access to both cash and services respectfully provided can support autonomy.
2. **Accessibility.** Supports that are adequate on paper provide no support at all if they are not accessible in practice. To be accessible, policies must be simple and understandable from the user's perspective, supporting rather than challenging people's notions of dignity.
3. **Security.** To be effective, and to promote dignity, policies should aim to provide people with a clear and reliable sense of being supported through difficulties. The ability to plan for the future and to play a full role in your community is only possible if you don't feel it could all be taken away in an instant. In part, this is a component of building strong communities—communities that engender people's capacity to support each other in hard times.



4. **Responsiveness.** Policies must be responsive both to differences in needs between different people and to changes in circumstances for individuals, households, and communities. Responsiveness requires flexible programs, allowing evolution in directions needed to address changing circumstances at the community level, with input from and influence of both those who need support and those who will pay for the support to be provided. Responsiveness also means that those using the program have some sense of autonomy—the ability to make decisions rather than simply being directed to particular outcomes.

### Efficacy

5. **Opportunity.** A lack of genuine opportunity means that the person cannot truly exercise their autonomy and competence, even if the right to do so exists in a formal, on-paper sense. A movement toward a more just society means providing more people with the opportunity to pursue what they value—in their family, mental, physical, emotional, and work lives. This is not a guarantee of success in their endeavours but support for the central human desire to try. Opportunity links directly with breaking the cycle of poverty and preventing poverty, and with the goal of ending systemic racism and gender-based inequities.

### Social connection

6. **Social connection.** Policies should provide the material basis for making supporting and loving attachments, but they should also take into account impacts on building and supporting communities.

### Public trust

In addition to these characteristics of just policies that are grounded in an attempt to support self- and social respect, we also set out two characteristics that fit with the idea of justice set out by being an equilibrium construct in which the policies themselves engender public trust and support.

7. **Policy stability.** By this we mean that the policies have sufficiently broad support that they will not simply be undone in the next political cycle and that they are economically sustainable. It incorporates giving due consideration to economic and fiscal impacts. The economic impacts of policies and their finance relate directly to the incentives they create for paid employment, training, and investment, as well as for caregiving, volunteering, and community building. Transparency of costs and expenditures is a key feature of building public trust and, therefore, policy stability.

8. **Reciprocity.** By this we mean that the policies have the quality of generating a society of mutual respect. For those who need support, this is respect for their needs and for the contributions they make. For those who are mainly paying to fund supports, it is the respect shown by not treating the funds as coming from some nameless source that can be drawn from at will.

These eight characteristics are often in conflict with each other, requiring policy decisions that balance the considerations and acknowledge their inherent trade-offs. Where that happens, we point it out in our deliberations. We do not view this list as providing a checklist of answers but rather as a basis for discussion about the justness of policies and for comparing alternatives—discussions that are part of the process of creating a more just society and that will never end.

In the last section of Part 2, we compare our set of characteristics of just policies to the list of principles provided in the terms of reference in order to tie our analysis directly back to our charge.

## 2.2 Part 3: Background—Information Applicable Throughout the Report

Part 3 provides key background information that supports our conclusions and recommendations, especially in the areas of:

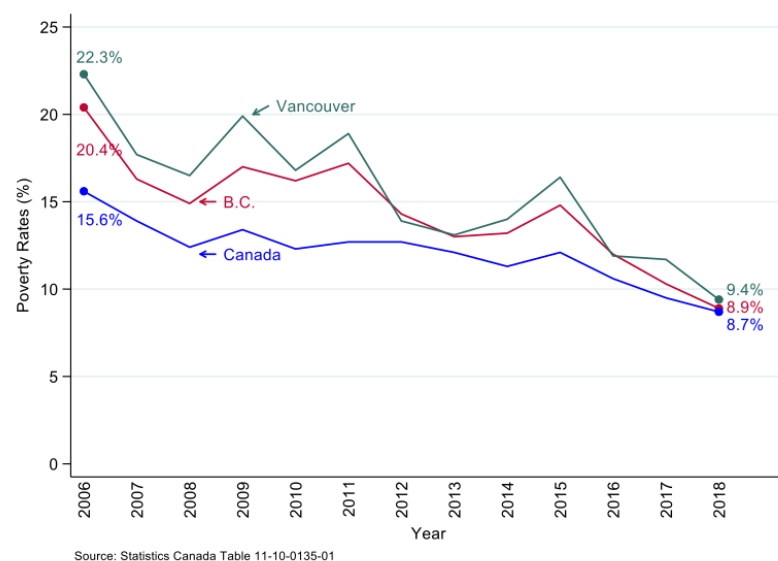
- understanding poverty in B.C. and the groups most significantly affected
- the fiscal context and potential funding sources for increased expenditures due to basic income or reforms of the current system
- what technological change means for the future of work, among other labour market-related observations
- how income testing works, whether for a basic income or for other social programs, and the disincentive effects of income testing
- how we engaged with the public, interested parties, and academic researchers to gather the information and evidence that provide the foundation for our work

### Poverty in British Columbia

While poverty is a difficult and contentious concept to measure accurately, both B.C. and Canada use the Market Basket Measure (MBM). Under MBM, thresholds equal to the cost of goods and services required to satisfy basic needs are estimated annually for many specific locations and family configurations. Those MBM thresholds are the official poverty line.

## Part 1: Introduction and Summary

*Figure 1-1: MBM poverty rates, Canada, B.C., and Vancouver*

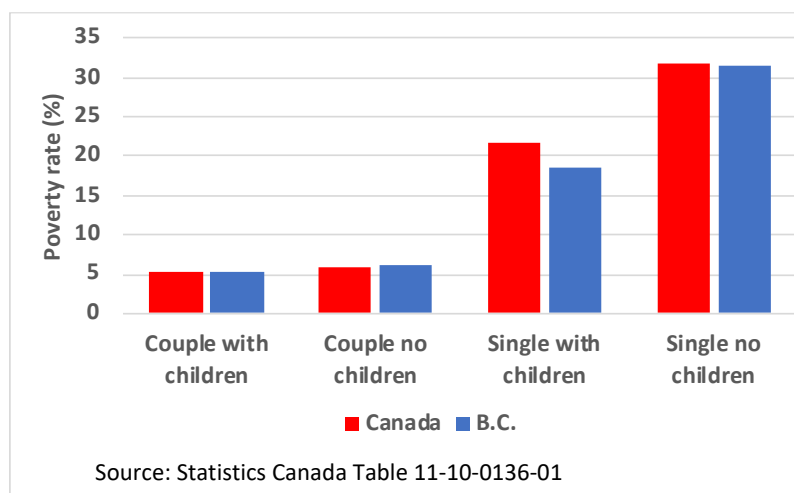


The poverty rate is the proportion of the population with income below the MBM poverty line. Poverty rates for Canada as a whole fell by almost half between 2006 and 2018, and by over 55% for B.C. and Vancouver in the same period (Figure 1-1). B.C. has gone from having poverty rates significantly higher than the national rates to rates that are almost identical to the national rates.

Breaking that down by age group shows that the biggest decrease has been for children, where the poverty rate fell from almost 30% in 2006 to 8.9% in 2018. Seniors have the lowest poverty rate in B.C., at 5.1%. But working-age adults experience a higher poverty rate, at 10.5%. B.C. has set legislative targets to reduce the overall poverty rate by 25% from 2015 levels by 2024 (a 9% target), and the poverty rate for children by 50% from 2016 levels by 2024 (a 6% target). B.C. met its legislative target for overall poverty in 2018 and is very close to meeting its child poverty target.

Child and senior poverty rates have fallen significantly, reflecting the success of federal government programs targeting these groups—the Canada Child Benefit for children and Old Age Security/Guaranteed Income Supplement for seniors—both targeted basic incomes. Our task of considering whether B.C. should undertake a basic income is really about the working-age population.

*Figure 1-2: MBM poverty rates for ages 18–64 by family type*



The overall working-age poverty rate is only slightly higher than the child poverty rate for B.C., but when broken down by family type, significant differences are apparent (Figure 1-2). Specifically, single parents and single adults without children are the groups with the highest rates, several

times more than couples with or without children.

Poverty reduction is not only about reducing the poverty rate. For us, it also includes reducing the depth of poverty (how far those living in poverty are below the poverty line) as well as preventing poverty and breaking the intergenerational poverty cycle. Of these, depth of poverty is the most easily measured, using the average gap between income and poverty line for those living in poverty. A lower gap ratio is better.

As with poverty rates, it is the working-age population that has the greatest depth of poverty, at about 41%, compared with children (26%) and seniors (22%). Within the working-age group, the depth of poverty is greatest for single adults, and even greater for the subgroup of single adults aged 18–24, making both groups policy targets for us.

### **Fiscal context**

Introducing a basic income or reforming the existing system would almost certainly have significant fiscal implications, and public acceptance of increased government spending is a significant factor in our considerations. While we have not been asked to recommend how any changes we propose should be funded, some context about B.C.'s capacity to do so is important.

Our first question is whether B.C. has the capacity to fund additional spending commitments. Our analysis of B.C. fiscal sustainability concludes that, due to an aging population, rising health-care costs, and the likelihood of declining real estate activity, B.C. faces important fiscal pressures over the medium to long term. The estimated long-term fiscal gap is about 3% of GDP, or about \$7.5 billion, without taking COVID-19 emergency measures spending into account. That gap is expected to be addressed

over time but suggests that significant increases in expenditure will require new sources of funding.

After examining potential funding sources, we have concluded that there are some significant limitations. Revenues from existing B.C. taxes could be increased, but there is more potential from increasing tax rates than from expanding existing tax bases,<sup>3</sup> and there would be competitiveness and other economic implications associated with almost any of these changes. For example, an \$8 billion cost funded equally by B.C. income tax and sales tax increases would generate the highest rates in Canada for each.

New revenue sources are possible, and the best options are those related to economic rents and negative externalities—excess profits from monopolies or resource extraction and activities that damage society as a whole, such as pollution. In B.C. the greatest source of economic rents is the value of land in urban areas. Steps have been taken recently to capture some of these rents, but there may be ways to capture additional economic rents from land.

### **Labour market trends**

Labour market trends over the past few decades provide important background information for this report for two reasons.

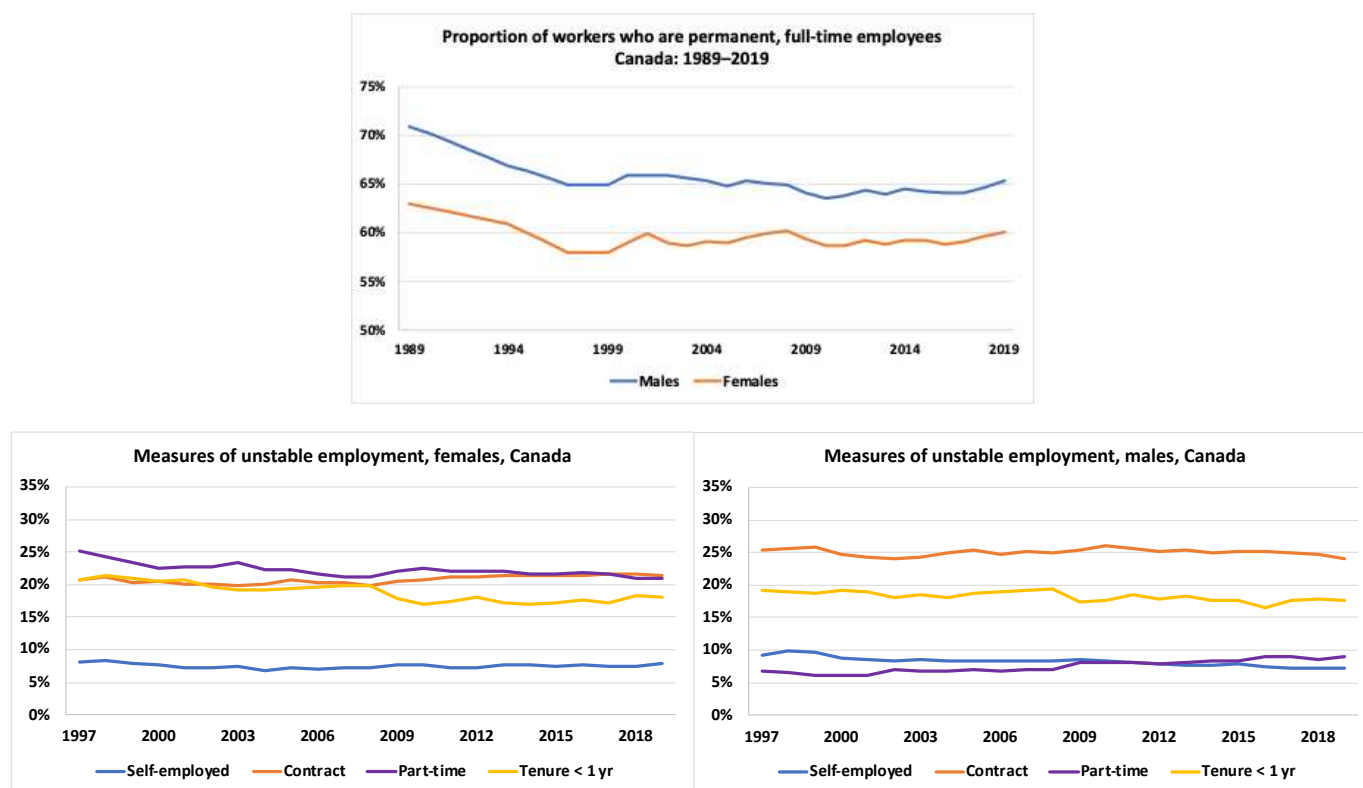
The first is the claim by some basic income advocates that technological disruption is fundamentally changing work, justifying a basic income. The more that happens, the less we can rely on work and work-related transfers such as Employment Insurance to distribute what society produces. A basic income, it is argued, could fill that gap. To evaluate this argument, we need to know whether jobs are becoming increasingly precarious, with a widening skills gap, and whether demand for labour is falling, as would be expected if work is coming to an end.

Second, and just as important, is understanding the structure and trends in the current labour market as the basis for improving working conditions and wages, especially for low-income workers. For all that we can do to support people with money and services, improving their lives by making jobs better is perhaps the most direct approach to creating a more just society based on self- and social respect, our goal.

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<sup>3</sup> An exception is the personal income tax, which has numerous omissions from its base and where B.C.'s upper tax rates are close to the highest in Canada. However, in order for B.C. to expand its base for that tax, it would have to abandon its tax collection agreement with the federal government, and competitiveness issues could still arise.

*Figure 1-3: Standard and unstable employment*



Precarious work is work that is not standard, full-time, permanent employment, and is often associated with the “gig” economy. Four types of employment are associated with precarity: self-employment, contract work, part-time jobs, and short-term jobs, all of which can be measured using Canadian Labour Force Survey data.

Figure 1-3 charts, in three panels, standard employment and the four non-standard employment types for females and males in Canada from 1997 to 2019. The stability of standard and precarious employment over the past two decades is striking. There was a big shift toward precarity in the 1990s that coincided with a weak labour market, deregulation, and reductions in Unemployment Insurance coverage (pre–Employment Insurance). Since then, the proportions of employees in each of the four types of precarious work have also been generally flat, though there are more males than females in standard employment and more females than males in part-time jobs.

While precarity in general is not on the rise, there is some evidence of an increase in the number of “fissured workplaces”—a term referring to the practice of firms focusing on their core business and leaving other tasks (such as food preparation, security guards, care home services, and janitorial services) to subcontractors. Several studies

have shown that this domestic outsourcing of work reduces wages and worker protections. The proportion of workers in low-wage industries with large concentrations of fissured workplaces increased substantially prior to the 2009 recession and has remained flat since then.

This evidence supports two conclusions. First, there is limited evidence of the shift toward more precarious work patterns predicted by basic income advocates over the last two decades in Canada or B.C. We also believe that a future shift to increased precarity because of technological change is possible—but not inevitable. Second, the level of precarious work should be of concern, and the shift to fissured workplaces has reduced the proportion of low-skill jobs that can be considered “good” jobs in terms of working conditions and wages.

The obvious question is whether a basic income is the right policy response to persistent precarity and increased fissuring of work. Proponents argue that a basic income would allow workers to turn down these work arrangements, ultimately bargaining for better wages and working conditions on the basis that they don’t need the work to survive. But the opposite might happen: workers may be less concerned about precarious work arrangements because of the basic income, resulting in even greater fissuring. The much more direct policy response is greater support for workers in precarious jobs through enhanced employment standards and labour relations regulation.

### **Income testing and effective tax rate implications**

Much of the analysis in this report revolves around the use of income testing in the delivery of benefits. Almost every program in the current income and social support system is income-tested, as are many basic income variants. Although it may seem like there is a lot of diversity in these arrangements, there is a general approach that can help describe all of the income-testing schemes and make them easier to compare. The main parameters in all income-tested benefits are:

- the maximum benefit amount
- the benefit reduction rate (BRR)—the proportion of income earned that is deducted from the benefit to phase it out as income increases
- the break-even point, the level of income at which the benefit is fully phased out

Another common feature is an income exemption threshold, below which the maximum benefit applies without deduction based on income earned.



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These parameters are important because the BRR is effectively a tax related to income. Taxes, whether direct or “effective” taxes, affect the behaviour of the people subject to them. Those effects are cumulative, with income tax rates combining with BRRs associated with benefits and other effective taxes to generate an overall effective tax rate. Higher average and marginal effective tax rates act as disincentives to work, either at all or in terms of the number of hours worked. They can also affect various other incentives, such as whether to work off the books and income-reporting decisions. While the evidence shows that the various incentive effects are not large, very big changes in effective tax rates can have material effects on the overall supply of labour, as well as the cost of benefit programs.

By applying this approach, we are able to show that when examined in the context of the whole tax and benefit system, basic incomes have disincentive effects due to income testing that are similar to those of the current Income Assistance program. A basic income would also newly impose disincentives on larger numbers of workers earning above poverty levels. Those outcomes contradict one of the claims of basic income advocates—that basic income would be a significant improvement on traditional welfare programs in this respect—which falls apart when considered in the broader context.

### **Panel engagement**

The foundation of our work is engagement with the public, community groups, and other interested parties, together with an extensive array of research that we commissioned and a public survey. The extensive consultations undertaken by the B.C. government in developing its poverty reduction strategy were also important in our work.

There is one key conclusion from Part 3 that affects the ability to develop, implement, and evaluate improvements to the existing system: improved mechanisms are needed for combining administrative data from various program areas to facilitate the analysis needed to support evidence-based policy-making across government. We were given effective assistance in accessing combined (anonymized) administrative data through the Data Innovation Program in the Ministry of Citizens’ Services, with the direct access and support coming from Population Data BC. We are very grateful for all of their work; much of this report would not have been possible without it. We were also given able assistance by Statistics Canada in combining some provincial datasets with data under their control.

However, there are two data-access issues that need to be addressed to make the system an effective support for the kind of ongoing policy evaluation we are calling for.



The first is timeliness. The data in the Data Innovation Program ends with a lag of several years. This was not a problem for us since we were examining longstanding elements of the existing support systems but would be a problem for analyses supporting ongoing policy change. Each ministry, of course, has up-to-date data, but full evaluations require bringing that data together, and that requires prompt data contributions to the B.C. government's Data Innovation Program. Second, tax data needs to be included in the data linkages, since it has much-needed information on earnings as well as income supports and taxes. Including income tax data will require federal government co-operation and potentially federal legislative change.

### 2.3 Part 4: The Current System

#### System description

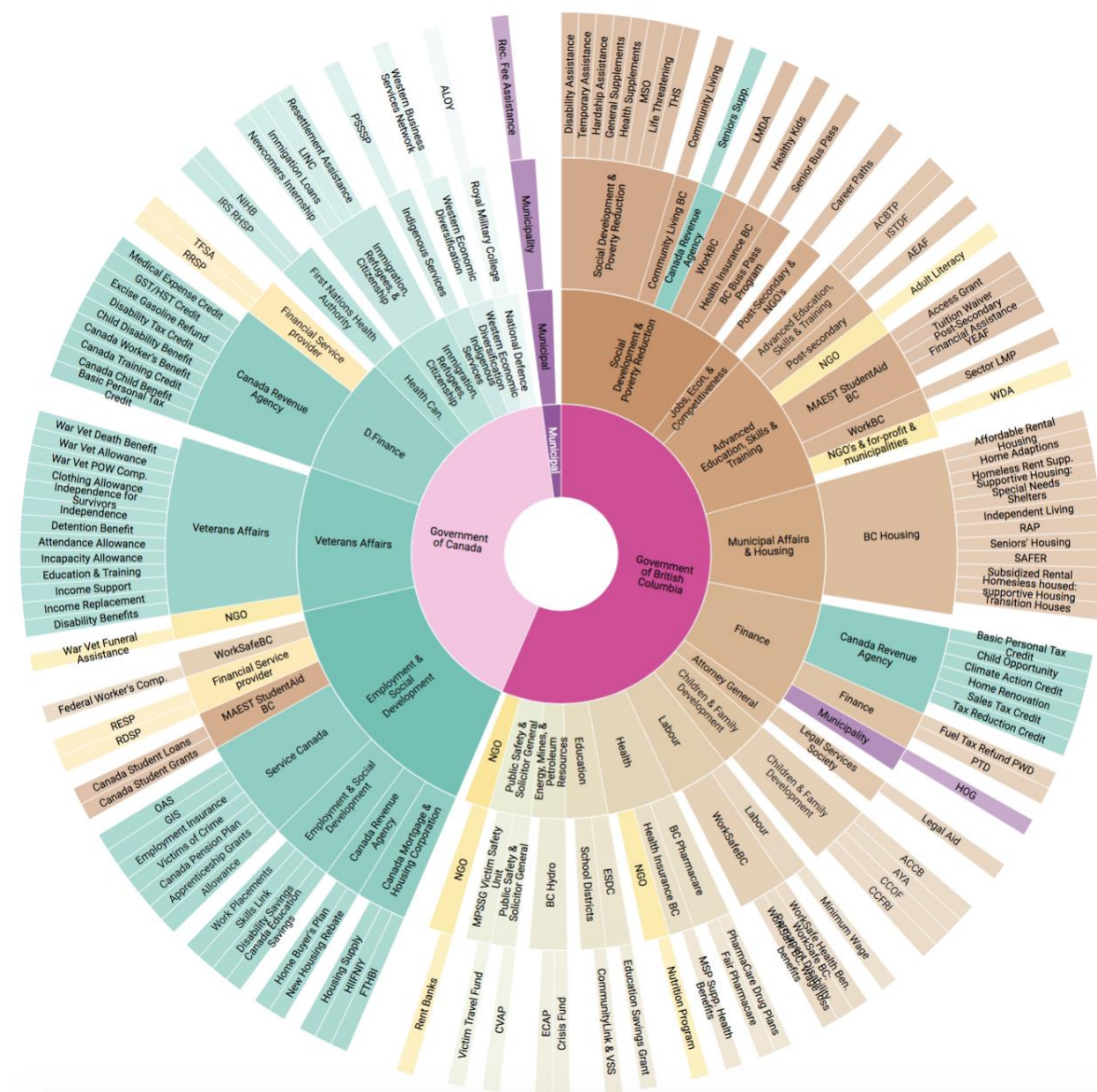
We define the income and social support system as the set of cash-transfer programs (income support programs) and in-kind benefit programs intended to benefit those in need because of limited resources (social supports). Cash transfers provide financial resources for meeting basic needs, and in-kind benefits provide goods and services, often referred to as basic services, that more directly help people meet specific needs. The income and social support system is focused on those with unmet needs, but it exists within the context of a broad set of federally funded and largely provincially delivered social programs, most of which apply universally, such as medicare, education, security of people and property, and others.

The system comprises 120 provincial programs scattered across 12 ministries through 23 different points of access. Additionally, the federal government provides 72 programs through eight different departments or agencies and 12 different points of access.

In order to make sense of this extensive and complex set of programs, we have created a set of seven sunburst visualizations that enable users to view the system from several perspectives. Figure 1-4 shows the full set of programs divided by federal and provincial, ministry responsible, delivery agency, and specific program. Readers are encouraged to use the web version of the figures to explore the programs further by hovering over program names, and by examining each of the different sunburst perspectives (<http://www.bcbasicincomepanel.ca>).

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Figure 1-4: Income and social support system in B.C.



The system is wide-ranging and complex. Although B.C. has more programs, federal spending on income and social support in B.C.<sup>4</sup> significantly outweighs provincial spending. Most of the federal programs are fully or mostly automatic, without need for

<sup>4</sup> Primarily the Canada Pension Plan, Employment Insurance, Old Age Security, Guaranteed Income Supplement, and the Canada Child Benefit, which are all cash transfers.

clients to interact with program administrators for eligibility or ongoing benefit calculation purposes. Most B.C. programs other than Income Assistance cash transfers and tax credits are in-kind benefits directed at specific needs, with eligibility assessment and benefit calculations that require ongoing contact with programs because they are income-tested and specifically targeted. It would be difficult to replace these in-kind benefits with cash transfers and continue to meet people's needs.

There is considerable inconsistency across the system, especially in the definition of income used for income-testing purposes and, for programs targeting people with disabilities, the disability eligibility criteria, adding to the complexity of the system and unintended interactions among programs.

With the notable exception of Income Assistance, all of the major cash-transfer programs and almost all of the income-tested benefits, whether cash or in-kind, make use of the income tax system, at least to determine the level of income, if not to actually deliver benefits. However, there is no requirement to file an income tax return if taxes are not owed, and there are significant barriers to filing, including distrust of the tax system, years of unfiled required returns, amounts owing from previous years, lack of access to tax slips, and the complexity of completing a tax return. This significantly limits program access for vulnerable populations.

### **Analysis of the system**

Using our analytical framework, we analyze the overall system, largely focusing on the trade-offs associated with three of the framework's characteristics: adequacy, accessibility, and opportunity (as realized through transition support).

In terms of adequacy, our question is whether the scope the system addresses all of the basic needs. Our conclusion is that there are two gaps in programming for the single working-age population, the group most requiring additional help: supporting vulnerable youth transitioning to adulthood and addressing the dignity and accessibility of work.

The system is a complex set of programs focused on specific needs, which has significant advantages and disadvantages when compared with our analytical framework. Its advantages are in its diversity of programming, addressing many specific needs with specific customized solutions and with the responsiveness to changes in people's circumstances inherent in that approach and in the design of many of the programs. For example, Income Assistance responds rapidly to changes in income, compared to refundable tax credits delivered by the tax system. But disadvantages arise from the same features, in terms of barriers to access associated with complexity

and lack of respectfulness associated with the eligibility testing inherent in focused supports.

Our analysis concludes that there are systemic issues that could be addressed to improve the system. Addressing the gap due to a lack of a mandate within government to address intergenerational poverty among youth aging out of care would extend existing programs and build on recent improvements. There is also a gap related to “good” jobs in terms of wages and working conditions for low-wage, low-skill workers, high barriers to work, and the lack of jobs for those unsuited to standard employment, which should also be addressed. Consistency in program design features and better system coordination could reduce complexity and other barriers to access. Transition support for groups facing life changes could be improved by linking cash income support with wraparound basic service support.

### **Analysis of specific programs**

#### *Income Assistance*

Income Assistance is at the core of the income and social support system, providing a mix of cash-transfer and basic service supports to two broad groups, people with impairments that limit work and people without those barriers to work. It is a complex system with many features, many of which have changed over time, with significant caseload effects. Large caseload increases in the 1990s led to significant tightening of eligibility rules in 1996, which were tightened again in 2002. The result was a change in emphasis from short-term support for those temporarily without work to a steadily growing long-term caseload mostly associated with disabilities. The changes made Temporary Assistance less accessible, and its caseload also became more long-term in nature. Changes since 2017 have significantly relaxed some of the tight eligibility requirements imposed earlier.

Income Assistance’s design principle is that it is the funder of last resort, intended to provide benefits only to those who have no other options or resources. That principle underlies several features, including the eligibility tests for Disability Assistance and Temporary Assistance, the relatively low rate structure for cash transfers, and the high, 100% benefit reduction rate by which income above the exemption level reduces cash benefits dollar for dollar. These features are intended to limit access. In practice, they also create a “welfare wall”—a barrier for those on Income Assistance to exiting the program. Recent eligibility changes have made a positive difference and could be built on to further improve the program.

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In terms of our analytical framework, the adequacy and accessibility of Income Assistance are limited by the welfare wall features, but it is these features that have traditionally enhanced public trust because they limit cost and require reciprocity. They create a paradoxical structure in which Income Assistance recipients are required to search for work (partly in order to support public trust) but are faced with 100% taxes on earnings when they find work. On the other hand, the monthly reporting framework ensures that Income Assistance is responsive to changes in personal circumstances, and the supplements, especially the health supplements, provide a stable and valuable benefit, especially for those on Disability Assistance. Feedback from recipients has suggested that more intensive work assistance would enhance future opportunity for them.

### *Other programs*

Other programs analyzed in Part 4, Section 5, include health-care programs, housing programs, the home owner grant, child-care programs, provincial refundable tax credits, programs for youth aging out of care, labour market regulation, and earnings supplements. The main conclusions by program are as follows.

#### **Health care**

PharmaCare is a basic service program that is quite consistent with our framework, and it could provide a model for other generally applicable health services. The Healthy Kids Program is also consistent with the framework, but the Medical Services Plan supplementary benefits program is narrow and inadequate.

#### **Housing programs**

These programs represent a targeted approach to increasing low-income housing coupled with rent subsidy programs that have limited accessibility due to eligibility criteria and linkage to provincially funded low-income housing. Consistency with our framework could be improved with a rental assistance benefit that is easier to access and that applies more generally to all who meet income-based eligibility tests and whose benefit phases out as income increases.

#### **Home owner grant**

These grants reduce the property tax on principal residences for most homeowners. Our conclusion is that this is a costly program that does not target any group clearly in need or achieve any evident public policy objective.



### **Child-care programs**

Support for child care has increased significantly since 2017 with the introduction of new programs and reform of other programs, to create a suite of basic service programs that help meet an important need, supporting participation in work and other socially beneficial activities. The suite of programs is quite consistent with our analytical framework, representing a reasonable set of trade-offs.

### **Refundable tax credits**

The climate action tax credit, sales tax credit, and Child Opportunity Benefit are cash-transfer programs delivered through the income tax system, which would all benefit from reforms to the tax system to make it a more accessible and responsive benefit delivery mechanism. Both the climate action and sales tax credits were introduced as part of broader tax policy measures. The Child Opportunity Benefit augments the much larger federal Canada Child Benefit. We conclude that it could be redesigned in a revenue-neutral fashion to focus benefits more precisely on the group most in need, low-income parents.

### **Youth aging out of care**

This group has traditionally been targeted by few specific programs, but that has changed in the past few years, with enhanced education funding and Agreements with Young Adults to support specific needs for some former youth in care. Progress has been inhibited by the fact that no ministry or agency has a specific mandate to serve this group. Beyond establishing that mandate, there is room for additional improvement, through more accessible and adequate support, both financial and social, to enable a successful transition to adulthood, a transition that can be challenging even for those with much less difficult childhoods.

### **Labour market regulation**

The conclusion in Part 3, Section 4 (Labour Market Trends), is that precarious work and fissured work imply that there are not enough “good” low-wage jobs. Our subsequent review of labour market regulation under the *Employment Standards Act* and *Labour Relations Code* has suggested that there is an opportunity to address that by building on recent changes to the legislation. We conclude that there is room for improvement, through expanding employment standards coverage for workers in precarious jobs, increasing consistency in the definition of “employee” across government programs that benefit workers, providing added protections for fissured workers, enhancing the ability and capacity to enforce labour regulation, strengthening continuity of work provisions for

fissured workers, and accelerating the adoption of newly enabled industry advisory councils.

### **Earnings supplements**

Earnings supplements are effectively wage subsidies provided to low-income workers, usually limited to those whose income exceeds a minimum threshold (indicating some labour force attachment) and phased out as income increases above an income exception level. In other words, they supplement wages over a low-income earnings range, supporting workers living in poverty or near the poverty line and encouraging them to work by lifting the hourly wage. The Canada Workers Benefit is the prime example, together with three earnings supplement programs in other provinces. B.C. does not currently have such a program, but we have identified low-income workers as a group particularly in need. COVID-19 has revealed the economic importance and vulnerability of this group, consisting predominantly of women and Indigenous and racialized people.

### **Conclusion**

From this analysis, we conclude that the B.C. income and social support system is not a system per se. Nevertheless, it is a set of programs that provides a wide range of important supports through a combination of cash transfers and goods and services, together with worker protections provided through labour market regulation. We believe that such a hybrid system is the best way to achieve our justice-based objective, and that by applying the framework significant improvements can be made to the current program mix.

## **2.4 Part 5: Basic Income**

### **What is a basic income?**

A basic income is shorthand for programs that embody the idea that society would be better off if everyone could count on receiving at least a minimum amount of cash on a regular basis. Specifically, we define basic income as a policy that guarantees all members of a society a minimum amount of income in a period. An idea that has been around for well over 200 years, it is simple to understand but in practice would be neither simple to design nor simple to implement.

The most well-known type of basic income is a universal basic income (UBI), which provides periodic cash payments to everyone in a group. This is the simplest basic

income design, but there are also many alternative designs. The alternatives can be viewed from two perspectives, related to placing conditions on the payments.

The first type of conditionality is related to whether the basic income applies to everyone (in practice, all residents of a jurisdiction) or to a specific group of people. We use the term “generally applicable basic income” for designs that don’t require recipients be part of a group and “targeted basic income” for designs that limit benefits to people who meet defined eligibility criteria.

The second type of conditionality is related to whether the basic income is income-tested (i.e., the benefit is conditional on other income received). UBLs are, by definition, not income-tested, but they could be either generally applicable or targeted.

There are two types of income-tested basic incomes, both of which also could be either generally applicable or targeted: the refundable tax credit (RTC) and the negative income tax (NIT). The difference between these two approaches is in their responsiveness to changes in income. RTCs delivered through the income tax system generally provide a set level of benefits for a year at a time based on income earned in the previous year, just like the current set of RTCs. In fact, some, like the Canada Child Benefit, are targeted RTC basic incomes. NITs are defined by the fact that they require income data to be collected periodically within the year, with basic income benefits adjusted on the basis of reported income.

### **Why a basic income?**

Many advocates for a basic income believe that it is a policy panacea that can help address many of the issues facing society. Reasons put forward for adopting a generally applicable basic income include:

- eliminating or at least reducing poverty and the intergenerational cycle of poverty
- transforming society and the economy in response to disruptions such as artificial intelligence and other technological changes that are fundamentally changing work or even eliminating it for most people
- responding to other disruptions, such as climate change—and now pandemics
- reducing stress for many people, which contributes to several of the subsequent claims
- improving health outcomes for recipients
- improving health and educational outcomes for children



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- providing a stable basis for investing in human capital and finding a better job
- raising low-end wages (and thereby reducing wage inequality) by allowing workers to reject bad jobs
- providing a stable basis for pursuing an entrepreneurial idea and thereby encouraging innovation
- building community by allowing people to participate in unpaid work beneficial to society, such as caregiving and volunteering

Many advocates see a basic income, especially a UBI, as a simple and powerful tool that can be applied to several important social issues, like poverty, and that will have collateral benefits, such as improving health and community development.

A basic income is seen as such a powerful tool because of the philosophy and principles underlying the concept. The philosophical basis of a basic income is the improvement of society, with the following four principles as defining characteristics: simplicity, respect, economic security, and social inclusion. These principles are often used to claim that a basic income is intrinsically preferable to traditional income and social support systems, such as B.C.'s existing system, which has significant shortfalls in terms of these particular principles.

The basic income philosophy is conceptually consistent with our stated goal of moving to a more just society, and the principles align particularly well with our characteristics of accessibility, adequacy, security, opportunity, and social inclusion. However, there are two major differences between these and our broader social justice-based framework.

The first is that basic income principles place considerable weight on the individual's freedom of choice inherent in cash support. While autonomy is an important component of our framework, we believe that true autonomy is only possible when basic needs like health care, education, and housing have been addressed by the kinds of basic services that form part of the current system. In some ways, this difference is a matter of degree—basic income proponents are typically supportive of some basic services—but their emphasis on individual choice often casts in-kind goods and services as interventionist and paternalistic. We view our approach as putting the emphasis in the opposite order and being more balanced.

The second difference is our emphasis on two elements of public trust that are sometimes overlooked by basic income advocates: policy stability and reciprocity. Specifically, this relates to the cost of a program, how it would be financed, how those

costs would be distributed, and the overall economic effects. Reciprocity refers to mutual respect between those who are beneficiaries and those who are mainly paying to fund the supports. This second difference is partly a reflection of the first: by emphasizing individualism and downplaying the collective interest, important considerations related to public trust—cost, economic implications, and reciprocity—are also downplayed in the basic income principles.

### **Policy trade-offs in basic income design**

Despite advocates' claims of simplicity, we have identified a long list of policy choices that must be made in the detailed design of a basic income, and the specifications chosen all represent policy trade-offs that need to be carefully considered.

The most fundamental choice is whether a basic income should be universal or income-tested. Based on our background discussion of income testing and effective tax rates, the trade-off here is between cost and economic impact. A UBI has little direct work disincentive but has a high cost because benefits are paid to everyone, not just those most in need. The large distortions for a UBI arise through its heavy financing requirements. Income testing targets those most in need, reducing the cost significantly, but introduces an economic distortion associated with the effective tax rate (the benefit reduction rate—BRR) used to phase out benefits.

For the two types of income-tested basic incomes, the trade-off is between responsiveness to changes in personal circumstances and significant compliance costs across the economy, together with significant administrative costs. An RTC would be simple and quick to implement using the income tax system to deliver a basic income, just as it delivers many other benefit programs, but it can take up to 18 months to respond to a sudden significant change in income, positive or negative. An NIT, in contrast, would require a new administrative structure with frequent reporting of income from all sources, separate from income tax reporting, but would provide benefits that adjust quickly to income changes.

Other significant trade-offs arise in defining the benefit structure (the benefit amount, BRR, and break-even point), which pits adequacy against cost and, for income-tested basic incomes, work disincentive impacts. The choice between generally applicable and targeted basic income again requires a trade-off between cost and accessibility in terms of serving particular groups facing higher costs for basic needs, such as people with disabilities. Giving everyone enough to address the costs would be prohibitively expensive, but focusing on particular groups requires eligibility criteria that, no matter how well designed, affect the dignity of those being served.

Every design element represents some trade-offs: how it is administered, how responsive it is to income changes, whether it is applied on an individual or family basis, and so on. And how well a particular basic income conforms with the ideal represented by basic income principles depends on those difficult choices. This is what we mean when we say that a basic income is not simple to design or to implement.

### Simulation results

To estimate the budgetary cost of alternative basic income designs and their poverty impacts for B.C., we commissioned 1,640 basic income simulations using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). We used these simulations to compare UBI and RTC types of basic income applied to working-age adults, varying several design parameters: the maximum amount of the benefit, the BRR, whether income testing is based on individual or family income, and whether couples receive double the benefit for singles or a lower, scaled amount. For each simulation we calculated the number of recipients, the cost, the poverty rate, and the depth of poverty. We also calculated a measure of how cost-efficient each simulated design would be in reducing poverty per billion dollars of incremental cost.<sup>5</sup>

To get a sense of the costs and impacts involved, consider basic incomes with guaranteed income amounts at about the poverty line, \$20,000 for singles. A UBI would cost \$51 billion, almost doubling the provincial budget and effectively eliminating poverty as expected, but only lifting about 8,000 people out of poverty for every billion dollars spent. In contrast, an RTC with the same maximum benefit but phased out with a 75% BRR<sup>6</sup> would cost \$7.5 billion, reduce the poverty rate by 68%, and lift over 44,000 people out of poverty for every billion dollars spent.

The simulations lead to three important observations:

- UBIs are orders of magnitude more expensive than income-tested basic incomes that provide similar poverty reduction.
- As the BRR increases, the cost decreases.
- Higher BRRs are generally more efficient in reducing poverty.

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<sup>5</sup> See <http://www.bcbasicincomepanel.ca/> for an interactive visualization of representative simulation results.

<sup>6</sup> The RTC would be calculated based on family income, and benefits for couples would be scaled by 1.41 times the benefit for a single person.

We also conducted an optimization exercise to seek the best design option at every level of budget spending and found that the optimal design suggests that as spending on a basic income increases, the BRR should increase as well, from an optimal rate of 10% at \$1 billion in spending to 80% at \$7 billion in spending.

Our conclusion is that if our goal is to reduce poverty, an RTC is the preferred basic income approach. But any significant poverty reduction would require a high BRR—and the work disincentives that entails. Any feasible basic income that also seeks to sharply reduce poverty simply would not reduce the welfare wall in the way many basic income advocates claim it would.

### **Other basic income claims**

Simulation results show why a basic income may not be the best choice for reducing or eliminating poverty. Our examination of labour trends in Part 3 shows that, at best, it is premature to consider a basic income as the solution to a technologically induced end of work, since there is no evidence of recent changes that would indicate that this is happening, at least not yet.

The other claims made for a basic income listed above receive varying amounts of support from empirical investigations done for our panel, as well as work by other researchers.

- The claim that a basic income would be easier to implement than other approaches because it can be provided as a tax credit does not hold up. The proportion of individuals not in the tax system is substantial, and solving that problem would be costly for a basic income or any other approach.
- There is some evidence that a basic income would lead to a shift from market work to child caregiving, though not on a large scale. Potential impacts on volunteering are uncertain, but we note that a basic income could lead to a monetizing of services that may be detrimental to communities.
- Existing evidence points to substantial returns in terms of child outcomes from providing transfers to low-income households, but there is no clear case that such transfers achieve better outcomes if they are delivered via a basic income rather than another form.
- A basic income is likely not effective in increasing entrepreneurial activity. In part, it may serve to increase own-account self-employment, which is often a poor labour market state that we would want to help people leave, not attract them

into. For that group of firm owners, the best approach is probably to give them access to training programs to help them leave self-employment. For incorporated firm owners, part of what may be needed is reductions in bureaucratic, licensing, health, and tax-related barriers to opening a firm, and income insurance options for owners. But the best solution to that problem lies with improved insurance, not a basic income, which is an imperfect substitute for insurance.

- The claim that transfer income can help in reducing stress and improving self-perceived mental health is supported in the data. However, new assessments of the data on health-care system usage point to a conclusion of no effect or even possibly increases in hospital usage when transfer income access is provided. A basic income therefore seems to help with health but not in a way that will provide health-care cost savings.
- There is evidence that a basic income will reduce crime rates, though other measures may be more effective in this.
- There is some hope that a basic income could result in higher wages and, possibly, better working conditions, though the extent of this effect is currently uncertain. And, of course, a basic income would not be the most direct approach to achieving these goals. That would be accomplished through labour regulation and supporting union bargaining.

Overall, we found that a basic income would likely have some of the beneficial effects claimed by its proponents, but there are often more direct ways to achieve those effects. We believe that it would be more effective in general to address these issues directly, and that a combination of cash transfers and basic services reformed to better align with our justice-based objective would be the better approach.

### **Financing a basic income**

It is not enough, in applying our justice-based framework, to consider a basic income in isolation. While a basic income can be designed to fit within a given budget constraint, it's clear that even the most efficient basic income in terms of reducing poverty would impose significant costs, which would need to be financed, and the policy measures chosen to do so would combine with the basic income to amplify the incentive and behavioural implications.

Examining financing options leads to several observations. First, when financing is taken into account, the trade-off between the low work disincentives of a UBI and the

lower cost of an income-tested basic income disappears. Financing a UBI would inevitably have significant implications that would eliminate many of the advantages typically suggested by advocates of this form of a basic income.

Many Canadian basic income proposals suggest eliminating most or all tax credits, including the basic personal amount, to create a “self-financing” RTC basic income. This would be a fundamental reform of the tax system that would mean tax becomes payable with the first dollar earned, increasing disincentives to work for low-income earners not on Income Assistance. More fundamentally, this approach to financing would generate only limited funds for B.C. on account of the province’s low tax rate for the bottom income bracket, and would put the funding burden disproportionately on middle earners while sparing those with the highest incomes. These factors imply that B.C. would need joint federal funding along with much broader tax increases for an equitable outcome.

Financing a basic income with income tax rate increases is also problematic.

Simulations show that feasible basic income designs rival the welfare wall of Income Assistance in terms of effective tax rates. Even financing a \$10,000 RTC basic income with a low BRR would require about a 50% increase in B.C. income tax rates, pushing some effective tax rates well over the levels associated with Income Assistance and creating economic distortions at every level of income.

Eliminating programs could be another alternative, but we believe that the many services provided by existing programs aimed at meeting basic needs—in combination with cash transfers—are essential to a just society. We conclude that there is little or no scope to fund a basic income by eliminating some of these programs without doing significant harm. We are concerned that, even if basic service and targeted cash transfers are not eliminated to finance a basic income, the budget pressure imposed by the basic income would preclude needed reforms to these programs and result in erosion of the programs over time.

### **A basic income pilot**

We were specifically asked to consider whether undertaking a B.C. basic income pilot would be useful. We have concluded that it would not be useful. Our reasons include the following:

- Extensive evidence from past pilot projects and other studies is available, and there are few important gaps to be filled.

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- One key outstanding information gap relates to long-term effects in the form of changes in habits and practices. Pilots are by their nature temporary and cannot provide evidence on these long-term impacts.
- A basic income must be considered in the context of how it is financed and how other requisite policy changes interact with it, elements that are not feasible in a pilot project.
- It is difficult for governments to maintain a pilot for long enough to provide useful results without intervening policy changes or cancellation of the pilot.
- The ethical considerations involved in setting up winners and losers to measure basic income effects are not justified.

Rather, we favour making the best possible evidence-based policy decisions and then collecting the data needed to rigorously evaluate the results in order to make continuous improvements.

## 2.5 Part 6: Vision and Recommendations

Our work has been guided by a vision of British Columbia becoming a more just society. A place of mutual concern and mutual respect, where each person is supported to make the fullest contribution they can. Where no one is left behind. It was in light of that vision, expressed more concretely in our set of characteristics of just policies, that we examined a basic income as a key policy goal for B.C. We based that examination on extensive consultations and a considerable body of new research.

Taking a justice-based approach is more than simply forming a list of evaluative characteristics. It requires a specific approach to the process of policy-making and implementation. It means asking not “How do we help the most vulnerable among us?” but “How do we create a more just society together?” It means a shift from seeing the most vulnerable among us as others in need of our help, to seeing them as equal participants in creating a better society.

We have woven throughout our recommendations the theme that these proposals should be the first step in a consultation with affected groups as well as with people who can bring useful evidence and data to the table. These consultations should be ongoing. We recommend mechanisms that involve continuing adjustments accompanied by continuing consultations—mechanisms ultimately rooted in human rights recognized by Canada in its signature on international agreements. We therefore see our recommendations not as a final set of proposals but as the starting point for dialogue.

The result will be a messier process than simply defining and implementing a pre-specified efficient solution to a narrow issue, but it will be more just. It will also, likely, be more effective and have fewer unintended consequences.

### **Specific conclusions and recommendations**

1. The first question put to the panel was whether British Columbia should adopt a basic income as the central element of its transfer system. Our answer is no. Moving to a system constructed around a basic income is not the most just policy change we can consider. The needs of people in this society are too diverse to be effectively answered simply with a cheque from the government.

Effectiveness, in fact, is key to our conclusions. Questions of effectiveness are reflected in the fact that a basic income is a very costly approach to addressing any specific goal, such as poverty reduction. Further, in our assessment of claims made for the benefits of a basic income, we found that for many of the claims there are other policies that would provide more effective approaches. Other claims, such as that a basic income would be easy to implement through the tax system, or that a basic income is needed because we are facing the end of work as we know it, or that a basic income would pay for itself through reduced health-care costs, appear to us not to be true.

We are also concerned about the implications of a basic income for the society we will share in the future. A basic income emphasizes individual autonomy—an important characteristic of a just society. However, in doing so it de-emphasizes other crucial characteristics of justice that must be, in our view, balanced: community, social interactions, reciprocity, and dignity. The basic income approach seems to us to be more individualistic than the way we believe British Columbians see themselves.

2. We propose, instead, a mixed system that applies different approaches in different circumstances:
  - basic services, such as extended health supplements and a new, extensive rental assistance benefit, both addressing needs common to all low-income households
  - targeted supports for groups like youth aging out of care and women fleeing violence, who have more specific needs



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- targeted basic incomes where they are most helpful, such as for people with disabilities
- an overhaul of the Disability Assistance system, including for those with mental health and addiction issues, that emphasizes dignity and support for work for those who want it
- a reformed Temporary Assistance program, providing monetary benefits with more dignity
- an improved earnings supplement for low-income earners
- a more just labour market, to improve wages and job conditions for low-skill, low-income workers, changes that will be particularly beneficial for people whose often precarious situations have been highlighted by COVID-19: women, people with limited education and work skills, and Indigenous and racialized people

We see our recommended policy changes as a complete system that would help move B.C. toward being a more just society.

Our recommendations are closely aligned with the government's poverty reduction targets, though our goals extend beyond simply reducing the poverty rate. One important issue that we do not address directly is food insecurity. This is clearly a serious and important issue, but we believe it is best addressed by relieving people of the other pressures that lead them to have to cut back on food—housing, health, and income being among the most central.

3. While we do not see a system centred on a basic income as a good approach for B.C., we recognize that others—including this or future governments—might. We believe that many of the reforms we propose would be needed even if a basic income were adopted. As many proponents of a basic income recognize, true autonomy is found only partly in monetary resources. It is built on a base of supportive communities and families, on a fair labour market, and on specific services such as health care and education. In the most extreme versions of a basic income, those services are expected to be bought in the market using, in part, the money distributed through the basic income. We see this as misguided.

A prime example is youth aging out of government care—perhaps the strongest example of a longstanding failure of the existing system to meet the standards of justice. For these young adults, financial security is part of the way forward, but providing cash transfers without also helping them form supportive attachments is

simply not enough. Some steps have been taken to address the needs of this group with significant recent improvements to existing programs, but there is much more to be done.

Another example is labour market reform. Labour regulation changes aimed at finding a better balance between the interests of workers and firms could provide the underpinning for a basic income or other cash-transfer programs, since people are more likely to choose work over receiving cash when the jobs on offer are good jobs.

4. Building the basis for a basic income would also involve a major overhaul of the tax and transfer system—another reform that we recommend as an important part of increasing the effectiveness of, and improving access to, the current system. Of course, this is something that needs to be implemented primarily at the federal government level, and we recommend that B.C. add its voice to calls for reform.
5. Work incentives and disincentives are an important theme running throughout this report. We believe that the dignity and self-respect that comes from voluntarily chosen work (not the forced work of “workfare”) is important. That means that addressing the disincentive effects cash transfers can have on work would be justified by reasons related to dignity alone. But beyond that, there are economic and fiscal consequences of reduced labour force attachment that further support the need for reform. Minimizing these effects is an important consideration for us.

The redesigned system we are suggesting provides support for work in several forms. Our proposed Income Assistance reforms and a generally available extended health benefits program for those with low incomes will reduce the welfare wall to reduce work disincentives. Intense work assistance will lower barriers to employment and bring people the hope of accessing new work opportunities. Labour regulatory reform will improve wages and working conditions for low-wage, low-skill jobs, improving the attractiveness of work relative to receiving benefit. Enhanced earnings supplement benefits will provide direct benefits to an important group, low-income earners, which consists predominantly of women and Indigenous and racialized people, whose importance and vulnerability have been revealed by the COVID-19 pandemic.

6. We were also asked whether there should be a basic income pilot. To this, too, our answer is no. Many of the proposed benefits of a basic income are associated with changes people might make because they have a long-term, stable income source—changes such as investing in an education or starting a business. A pilot will not allow us to assess these claims. Even the longest basic income pilots last

only five years, and that is not a long enough commitment for people to make substantial changes. We already have evidence on shorter-term impacts from other research and pilots.

However, we do believe strongly in the need for policy evaluation to guide effective policy-making. Our preferred approach is to implement new policies incrementally, assessing them carefully and, very importantly, consulting thoroughly with affected groups, then making adjustments. A just policy change process does not involve one policy proposal, tested then implemented. It is a never-ending quest.

Our specific recommendations are listed below. We provide more detail on each of them in Part 6, where we also provide cost estimates and an indication of how the recommendations would be implemented—both developed with the help of staff in the relevant ministries.

The total of the estimated annual costs for all the proposals combined is \$3.3 to \$5.0 billion, a substantial portion of which could be offset by eliminating the home owner grant, with a current annual cost of over \$800 million. We divide the recommendations between those we believe could be implemented in the short term (the total cost of which is about \$1.4 billion) and those that would take longer to develop (with a total cost of \$1.9 to \$3.6 billion).

In comparison, according to simulations presented in Part 5, an income-tested basic income with a similar budget would have a maximum benefit amount of less than \$10,000 if applied to family income, with a benefit reduction rate of 30%. Such a basic income would reduce the poverty rate by nearly two percentage points, a tangible amount. However, the recommended targeted basic income approaches and targeted basic services, together with significant improvements to existing programs that we are recommending, would direct those tax dollars much more effectively to address unmet basic needs.

We see these recommendations as a cohesive whole that embodies a vision of a province that continually strives to use the power of government and the full set of tools at its disposal to balance citizens' desires for individual autonomy and their need for community. It is a place where evidence, outcomes, and the lived experiences of those most affected drive changes. It is a place where no one is left behind. And it is a place where the reciprocity needed to build and maintain public trust is at the core of public discourse. In short, it is a vision of a society that always seeks the elusive balance inherent in a just society, knowing that is a never-ending quest.

### 3. Summary of recommendations

#### **Reform Disability Assistance (DA) into a targeted basic income**

1. Replace disability-related designations
2. Reform application process
3. Revise application forms
4. Eliminate DA asset test
5. Relax DA income test
6. Reform adjudication process
7. Eliminate reassessment
8. Convert DA to a targeted basic income
9. Increase DA benefit to the poverty line
10. Lower DA benefit reduction rate and maintain income exemption
11. Create public and community employment
12. Integrate support for addiction and mental health
13. Review addiction support

#### **Reform Temporary Assistance (TA) to reduce the “welfare wall”**

14. Eliminate work-search requirement
15. Engage federal government on COVID-19 recovery benefit rationalization
16. Initially maintain current TA income test
17. Increase TA income test threshold in medium term
18. Eliminate TA asset test
19. Extend TA streamlined reapplication
20. Increase TA benefit levels by making COVID-19 emergency \$300 supplement permanent
21. Lower TA benefit reduction rate and maintain income exemption
22. Evaluate training support
23. Expand earnings supplement

### **Provide extended health-care benefits to all low-income individuals**

24. Convert extended health supplements to a basic service

### **Provide housing support to all low-income renters**

25. Combine Income Assistance support and shelter allowances
26. Expand targeted supportive housing
27. Institute a B.C. Rent Assist refundable tax credit

### **Provide intensive work support to targeted groups**

28. Establish Assisted to Work basic service
29. Establish a joint rehabilitation and work support agency

### **Enhance support for low-income families with children**

30. Refocus the Child Opportunity Benefit

### **Enhance financial and support services for young adults**

31. Increase Ministry of Children and Family Development resources
32. Enhance transition planning and community support capacity
33. Extend Agreements with Young Adults education and training duration
34. Enhance Agreements with Young Adults life-skills support
35. Extend Assisted to Work eligibility to former youth in care
36. Create targeted basic income for former youth in care
37. Initiate basic income with community support engagement
38. Mandate a ministry to support former youth in care
39. Establish a B.C. Learning Bond
40. Contribute to B.C. Learning Bond for children in care
41. Create a B.C. Career Trek program

### **Enhance financial and support services for people fleeing violence**

- 42. Enhance housing for people fleeing violence
- 43. Create a three-tiered domestic violence program

### **Improve precarious employment through labour regulation reform**

- 44. Develop gig work employment standards
- 45. Review *Employment Standards Act* exclusions
- 46. Enhance proactive *Employment Standards Act* enforcement
- 47. Improve employment standards for fissured work
- 48. Review *Labour Relations Code* unionization provisions
- 49. Proactively facilitate industry advisory councils
- 50. Extend *Labour Relations Code* successor rights
- 51. Rationalize employee definitions across programs

### **Improve the way benefit delivery platforms function**

- 52. Combine refundable tax credits into Dogwood Benefit
- 53. Rationalize income definition for income-testing purposes
- 54. Engage federal government to reduce tax-filing barriers
- 55. Engage federal government to increase tax and benefit delivery responsiveness
- 56. Engage federal government to streamline administrative tax data-sharing
- 57. Develop an identification and verification platform for non-tax filers to increase benefits access
- 58. Automate informing applicants of eligibility for other programs
- 59. Enhance cross-program system navigation
- 60. Establish system governance
- 61. Index Income Assistance rates to changes in the poverty line
- 62. Increase Income Assistance staff resources
- 63. Rigorously evaluate major reforms
- 64. Create linked administrative data for policy development

**Make ongoing engagement a permanent part of all policies**

65. Set up a human rights–based approach to engagement with those affected

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## **Appendix 1-A: Terms of Reference—BC Basic Income Pilot Assessment**

To support work government is doing to reduce poverty, the Province will look at whether a basic income is an effective way to improve income security, reduce poverty and address the impact of technological change. Budget 2018 will provide \$4m over two years to test the feasibility of a basic income in BC and help find ways to make life better for British Columbians. To help guide this work, the province will convene a panel of experts and consult with stakeholders for input and advice to help address the gaps that exist in the critical income and social supports that British Columbians rely on.

The committee would consider the viability of a basic income in BC and support the simulation of various basic income models in BC to identify impacts and financial implications. The committee would also look at BC's existing income and social support system and how elements and principles of a basic income could be used to transform and enhance it. The committee will also outline any areas that could be explored further through a basic income pilot, as well as pilot design.

The work of the committee would include consideration of the impact that advances in technology and automation and other shifts are predicted to have on the labour market over the next several decades. Technological advancements are expected to result in the elimination of tens of thousands of jobs, particularly lower-skilled jobs in the service sector but also in manufacturing and production. The rise in unemployment and precarious employment will put additional stress on existing income support systems, which were not designed for these situations. The committee will consider both current labour market and future labour market conditions.

The work of the committee would also consider additional social, economic, and health-related trends and drivers that are anticipated to impact BC's population and the income and social support system for low income people in BC in the coming years including changes in disability prevalence and conditions, advancements in medical treatment and assistive technology, demographic shifts including changing family composition and an ageing population, and shifting public expectations.

The committee will consider the following principles when evaluating the viability of a basic income in BC and the potential for improvements to BC's income and social support system:

- reduces poverty
- enhances income security

## Part 1: Introduction and Summary

- improves accessibility to supports for people in need of assistance and people with disabilities
- improves accessibility, effectiveness and cultural appropriateness of supports for Indigenous people
- reduces the unnecessary complexity associated with income and disability supports
- promotes social inclusion and socially beneficial activities
- improves mental wellbeing and quality of life
- increases program administration efficiency
- promotes labour market attachment
- eases work transitions
- facilitates the pursuit of education and training
- eases transitions between different income support programs and between income support and employment as applicable
- supports early intervention to mitigate impacts of life on long-term economic security
- reduces associated social costs of poverty (e.g., on the health-care and criminal justice systems)
- considers impact on government's fiscal plan

This approach is similar to the one recently undertaken in Quebec, which led to a detailed impact assessment of the potential for basic income through simulations of basic income and a report with 23 recommendations on how to improve their income and social support system to incorporate some of the benefits of a basic income.

### Specific Mandate

More specifically, the committee's mandate is to:

- oversee simulations of basic income in BC;
- analyze the components of BC's current income and social support system;
- identify gaps in the current income and social support system;
- identify and analyze the impacts of changing trends outlined above on BC's population and income and social support system;
- provide recommendations for improving income security in BC through implementing elements of basic income;
  - For each of these recommendations, analyze the impacts; assess feasibility; identify issues

## Part 1: Introduction and Summary

- provide recommendations on any areas that could be further explored through pilot programs, as well as pilot design.

## Committee Members

The expert committee will be comprised of the following:

Chair:

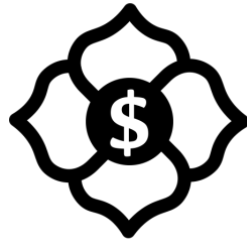
- David Green Vancouver School of Economics (UBC)

Members:

- Jonathan Rhys Kesselman School of Public Policy – SFU
- Lindsay Tedds School of Public Policy – U Calgary

## Timelines

The expert committee will start meeting in summer 2018. The committee's findings and recommendations are proposed to be released in several reports over an approximate two-year period.



## **Part 2: Analytical Framework**

## Part 2 Contents

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## 1. Introduction

Our terms of reference include an expansive list of principles that we were directed to consider. While we agree with the importance of the listed principles, they do not form a cohesive whole because they are not organized around an overarching goal for the income and social support system.

We believe that the ultimate standard against which policy proposals should be measured is whether those proposals move B.C. toward being a more just society—one that improves lives by providing a basis of dignity for all and respect for each other and for society.

Simply stating that we want policies to move B.C. toward being a more just society is, admittedly, providing a vague standard. A necessary first step in devising recommendations for policy reforms that are both effective and implementable is to specify an analytical framework for evaluating how well alternatives are aligned with our broad goal. Part 2 of our report attempts to make the justice theme concrete enough to be practically applied as the basis for analysis. We accomplish that by discussing the ideals that underpin a just society. Those ideals suggest specific characteristics that we would expect just policies to embody. In the remainder of the report, we use those characteristics as benchmarks against which we assess policy options for achieving our ultimate goal—moving B.C. toward a more just society.

## 2. Ideals of a just society

To put our practical considerations on a firm footing, we start at a deep level by considering the nature of human interactions in society and their implications for what might constitute just policies and institutions. We find the argument of Adam Smith, in his treatise *The Theory of Moral Sentiments* (Smith, 1759), instructive, even though its language usage sometimes differs from current norms:

It is thus that man, who can subsist only in society, was fitted by nature to that situation for which he was made. All the members of human society stand in need of each others [*sic*] assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy. All the different members of it are bound together by the agreeable bands of love and affection, and are, as it were, drawn to one common centre of mutual good offices.

But though the necessary assistance should not be afforded from such generous and disinterested motives, though among the members of the society there should be no mutual love and affection, the society, though less happy and agreeable, will not necessarily be dissolved. Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection; and though no man in it should owe any obligation, or be bound in gratitude to any others, it may still be upheld by a mercenary exchange of good offices according to an agreed valuation.

We are, in part, social animals with a fundamental need for societal connection. This is the natural “sympathy” that Adam Smith sets out in his treatise, the quality with which we were “fitted by nature.” We are most successful in interacting with the physical world and creating the means to survival when we work together. The most effective societal institutions recognize and enhance our social nature as well as our individual nature. Smith himself argues in the passage above that while one can construct a functioning society based only on self-interest, it will not be as good as one that also acknowledges our mutual sympathy. Moreover, we believe that true freedom requires social support. Markets, for example, may emphasize individual decision-making, but they are fundamentally a means of societal coordination.

## Part 2: Analytical Framework

We are also individuals with very heterogeneous notions of our own goals and preferences, but also, often, of what makes a fair society. Small-I liberal theories of justice emphasize liberty, especially individual rights—respect for individual preferences, and providing people with the liberty to pursue their own legitimate notions of what is good. Most people in Canadian society share this sentiment, even if we might not all give it the primacy it attains in many liberal theories of justice. In practical terms, that means public policy choices should support individual liberties, including the right of people to hold their own notion of justice rather than imposing a specific theory or emphasizing a certain notion of fairness.

In other words, we are searching for a general notion of justice in society that can be widely accepted without requiring agreement on the specific details of what is good. Two people could agree, for example, that policies that do not treat people with respect are unjust while disagreeing on whether that conclusion is ultimately rooted in a religious or a secular humanist conception of what is good.

Recent liberal thinkers, including John Rawls, argue that the central problem of justice is how to balance our social nature with individual rights. Just institutions are equilibrium constructs—they should embody notions of justice but also engender support for those notions of justice among the citizens in society, who are free to exercise their rights. That implies a need to build trust both in the institutions and in fellow citizens. A key question concerning a big policy tool like a basic income, or alternatively a fundamental reform of the existing income and social support system, is whether it supports that trust. Is it something that both the beneficiaries and those who ultimately pay for it see as part of a just society? Searching for policies that form an equilibrium in this sense is of central importance if we want the policies to last and to help in creating a society in which “assistance is reciprocally afforded.”

This latter consideration is intimately linked with the way that social policies interact with and impact the functioning of the economy. Too often, discussions of public policy separate justice considerations from economic considerations, focusing on one or the other. Proposals to enhance justice are often put forward without considering public or private costs, while fiscally driven changes or changes directed toward creating a particular economic incentive often give too little consideration to justice. A comprehensive analysis of ideas like basic income must consider questions about the functioning of the economy—such as impacts on behaviour and how the market assigns shares of output—at the same time as thinking about just distributions and how a basic income relates to them.



## Part 2: Analytical Framework

The idea of wanting to construct institutions that reflect both economic and justice considerations and that engender mutual trust may, at first blush, suggest that we should focus on a specific notion of justice in order to form a practical solution. If that were true, though, it would be problematic, since it is inconsistent with the ideal of respecting the rights of individuals to hold different notions of what is good and just. We argue, however, that such a stance is not necessary and that there are enough commonalities in concepts of justice to direct us toward a more just society (as defined under most notions of justice) without having to decide on the exact destination (which theory of justice is best).

Virtually all theories of justice share an emphasis on both self-respect and the respect we get from others in our community—social respect. John Rawls defined a key part of his set of primary social goods as the means underlying such respect (Rawls, 1999). Martha Nussbaum (2011, p. 34) defines as one of 10 key capabilities that we want for our fellow citizens as “having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others.” Even libertarian theories, as reflected in the work of Robert Nozick (1974), emphasize respecting individual autonomy, which is a key input to self-respect. Thus, a move in the direction of greater justice is a move toward greater support for the concepts of self- and social respect, both of which derive from widely held societal values.

The two notions of respect are intertwined. Most people’s self-respect is conditioned by values held widely in society and thus is also a basis for social respect. For example, in societies where work and earnings are assigned a high social value, many individuals will derive self-respect from success in working and earning.

Support for self- and social respect is also inconsistent with the idea of social support as charity rather than as an element of a just society. Charity, historically often the impetus behind traditional income and social support programs, is laden with moral judgment about who deserves support, and that very judgment saps self- and social respect. By underpinning our principles with the idea of justice, from the outset we reject the use of distinctions between the “deserving” and “undeserving” as a basis for the design of support systems. We recognize that individual needs can differ widely, so fairness implies that certain attributes will command an entitlement to greater cash or in-kind benefits or services. Such differential treatment is a matter of justice and not charity.

In these respects, and many others, self- and social respect are inherent in the very structure of society. They are founded, in part, on family arrangements and social arrangements in a community. For that reason, it is important to consider how any

policy affects people's ability to make social connections and children's ability to form key attachments that support their future ability to feel like they have autonomy, control, and social connection. Self- and social respect are also founded on the roles that people play in the productive process, broadly defined. This does not have to be limited to roles as employees in public or private enterprises—though that is certainly a key element—but also roles such as caring for others, helping to construct community projects, building human capital, and creating new enterprises. Public policy and institutions alter people's roles in society and, with them, their sense of self- and social respect. This is the key sense in which we cannot separate notions of justice from the functioning of the economy.

To summarize, moving toward a more just society depends on recognizing some fundamental ideals. Humans are social animals that need social connection, leading to the ideal of social respect. Humans are also all unique individuals who need the autonomy to exercise their individual preferences and maintain the ideal of self-respect. Creating a just society must balance social interest and self-interest, a balancing act that is and always has been fundamentally at the heart of public policy decision-making. Achieving that balance requires building institutions and policies based on justice rather than charity. It also requires that those institutions and policies are perceived to be just by all those involved, including both beneficiaries and funders. In short, the overarching ideal is to treat all people with dignity.

Moving forward also requires us to keep in mind how interconnected notions of justice are with the functioning of the economy, and generally to take a broad, system-wide approach to analysis. Partial analysis that respects only justice implications without including economic and financial considerations, or that focuses primarily on financial considerations or economic objectives to the exclusion of justice, cannot provide satisfactory results.

### 3. Meeting key psychological needs

While these ideals and observations outline what we mean by our stated goal of “moving toward a more just society,” to be useful as a framework for analyzing proposals and recommendations it is important to distill them into more concrete, practical criteria that can be used directly for comparative analysis.

We can take a step toward more concrete guideposts by noting the overlap between elements of self-respect discussed in the philosophical literature and what psychologists have determined are the basis of a “good life.” Key psychological needs are being whole and healthy individuals, which involves a sense of autonomy, a sense of efficacy or competence, and social connection. This list points back to the argument that we are complicated animals with both central social tendencies and strong individual interests.

As described in psychologists Ryan and Deci’s (2000) summary of self-determination theory, providing people with the means to fulfill the three needs of autonomy, efficacy, and social connection makes both the individuals and the communities in which they live better able to adapt to changes in their environment. People with an integrated sense of themselves and their freedom to make choices will be able to adapt, filling niches that are to the benefit of all. Those who feel that they are effective will use that feeling as a basis for taking productive actions. And a feeling of social connection leads to co-operation in working toward the achievement of common goals. Not having these needs met pushes people into negative spirals where they are de-motivated or worse. Thus, to build a society where people can individually withstand negative shocks and collectively help each other to weather storms and rebuild afterwards, we must provide as many people as possible with the means to meet their underlying psychological needs.

In a world beset not only by the COVID-19 pandemic and a racial reckoning but also by extreme events related to climate change, which are expected to increase, it is at least as important to meet basic psychological needs as it is to, say, build higher dikes to prepare for rising sea levels. That is, even if one were not to root policies in justice (as we believe should be done), practicalities point in the same direction. If we ground our policy choices not in the fear-based justifications that are sometimes raised (feed the poor or they will break down your gate) but in the positive and more hopeful practicality of a more resilient and adaptive society, we can better weather storms together.

The three psychological needs of autonomy, a sense of efficacy, and social connection, then, can serve as touchstones against which we can compare proposed policies. Policies that do not provide significant weight to one or more of these are to be

distrusted. We set out each of these needs and their practical implications in turn. As we will see, this helps reveal characteristics that policies must have if they are to fit with our goal of making society more just, in the sense of wider access to the bases of self- and social respect. It is those characteristics that we will use as the specific benchmarks in our analyses of a basic income and other policies in the remainder of our report. In the discussion here, we highlight the characteristics in bold when they arise.

### 3.1 Autonomy

A just system will enhance, or at the very least not encroach on, a person's need to make independent choices and feel that they have an integrated sense of self that can initiate actions. This is necessary if people are to feel a sense of self-respect and motivation. A just system will also afford them input into the form and content of policies that affect them, including some freedom of choice within certain boundaries. And it will provide both social and financial security, since one cannot make effective, autonomous decisions without a feeling of underlying support.

In practical terms, supporting autonomy means, first, that a person's resources must be **adequate** to raise them above destitution, which would instead require them to adopt positions of subservience in order to survive. The term "resources" is used here advisedly because, as will be seen throughout the report, access to both cash and services respectfully provided can support autonomy. The adequacy of resources can be measured most directly by examining whether policies reduce poverty.

By "reducing poverty" we mean not just the narrow concept of reducing the number of people below a poverty line but also broader considerations of the depth of their poverty and the need to prevent poverty, break the intergenerational cycle of poverty, and reduce the disparity in rates and depth of poverty across demographic cohorts.<sup>7</sup> The use of this broad definition aligns poverty reduction much more closely with the justice-based underpinnings of our thought process than a sole focus on reducing the poverty rate.

Having support that is adequate on paper without being **accessible** in practice, though, is no support at all. To be accessible, policies must be simple and understandable from the user's perspective. Complex programs that are not well understood or that not

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<sup>7</sup> The poverty rate is the proportion of people falling below the poverty line, however measured, and the depth of poverty is the average gap between the income of those in poverty and the poverty line. There are alternative statistical measures of the poverty line but, consistent with the approach in the Poverty Reduction Strategy, we use the Market Basket Measure (MBM), as published by Statistics Canada, as the poverty line.

everyone knows about create barriers to access and compromise adequacy. They also directly challenge people's notions of dignity—feeling effective and respected. Whether a proposed program is accessible ultimately depends not only on the program concept but also on its design and operational and administrative details. Systemic racism and sexism hidden within programs and systems are important aspects that compromise accessibility and dignity, and our analyses must join with other reassessments of our society's institutions to take frank account of the sources of systemic racism and patriarchy.

Supporting autonomy also means providing **security**, in the sense that the underpinnings of both quotidian basics and future opportunity are stable and can be counted on. To be effective and to promote dignity, policies should aim to provide people with a clear and reliable sense of being supported through difficulties. The ability to plan for the future and to play a full role in your community is only possible if you don't feel it could all be taken away in an instant. In part, this is a component of building strong communities—ones that engender people's capacity to support each other in hard times. Security goes beyond security of income to include security from adverse events and circumstances that can destroy lives without adequate protection. As we discuss throughout the report, adequate and secure ongoing income is not enough to provide that security in every case; assured access to appropriate services is required as well. Security is a key element of preventing poverty and breaking the cycle of poverty.

At the same time as providing a secure and stable basis for decision-making, policies must also be **responsive** to both differences in needs between different people and changes in circumstances for individuals, households, and communities. That is, programs must be designed to enable different individuals and households to respond to their particular circumstances. It must also be capable of changing and evolving to respond to society-wide changes, and thus must be responsive to input from both beneficiaries—and potential beneficiaries—and those whose primary role is likely to be as funders.

Responsiveness requires flexible programs, allowing evolution in directions needed to address changing circumstances at the community level, with input from and influence of both those who need support and those who will pay for the support to be provided. Responsiveness also means that those using the program have some sense of autonomy—the ability to make decisions rather than simply being directed to particular outcomes. Without that, there will never be true buy-in of the principles of the program, and there will be a constant battle, trying to get recipients to conform to principles to

which they never agreed at the outset or gaining the level of public acceptance needed to maintain the program. This means treating people not as optimizing subjects to be incentivized to actions deemed by some program as “right” but as partners in developing the means to meet their needs.<sup>8</sup>

Public policies can support a sense of autonomy in this direct way—being responsive to those most directly affected by them. They should also support individuals and communities in controlling other elements of their social and economic environment. For example, workers should have some control over work arrangements, such as scheduling of work time, and a just set of institutions will support such control.

### 3.2 Efficacy

To have a meaningful, dignified life people need not only an ability to exercise autonomy but also a sense that they are competent and capable—a sense of efficacy. This is clearly at the heart of feeling self-respect and of acquiring social respect.

In practical terms, this relates partly to programs being responsive, since responsiveness pays users respect by assuming that they are competent people who can make effective choices. There will certainly be failures—we all fail in our choices at times. Systems should be built to support people through bad initial decisions, imposing sanctions only after repeated bad decisions. That is, they should start from a position of assumed trust and capability, but with the underlying notion that recipients have an obligation to hold up their side in trying to make effective decisions and move toward less dependence on transfer systems to the extent that they are able.

Efficacy is also closely related to the concept of providing **opportunity**. A lack of genuine opportunity means that the person cannot truly exercise their autonomy and competence, even if the right to do so exists in a formal, on-paper sense. A movement toward a more just society means providing more people with the opportunity to pursue what they value—in their family, mental, physical, emotional, and work lives. This is not a guarantee of success in their endeavours but support for the central human desire to try. The opposite of this is a sense of hopelessness born out of fear that failure in an attempt will lead to destitution, or out of a belief that doors that are supposed to be open are not actually open to them—the kind of closed doors created by systemic racism and

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<sup>8</sup> Amartya Sen (1999) expresses this idea as needing to treat people as “agents” who take an active role in what happens to them rather than as “patients” who are merely the recipients of targeted policies designed by cunning policy-makers.

sexism. Enabling self-respect begins early in life with opportunities for children to form successful and supportive attachments. It continues into adulthood with opportunities for all to play a respected role in society. Opportunity links directly with breaking the cycle of poverty and preventing poverty.

It is through the attribute of personal efficacy that systemic racism fundamentally damages societal justice. Systemic racism and the patriarchy reduce or eliminate opportunity, limit autonomy, and sap self- and social respect. This, in turn, leads to observed adverse outcomes in terms of health, income and wealth, education, and the justice system.

### 3.3 Social connection

We all have a need for **social connection**—“to seek attachments and experience feelings of security, belongingness, and intimacy with others” (Ryan & Deci, 2000, p. 252). Policies should provide the material basis for making those attachments—which takes us back to the point of adequacy and meeting poverty goals. But they should also take account of impacts on building and supporting communities. This is true for the direct reason that people need social connection. But it is also true because one cannot exercise autonomy or be effective without social support.

### 3.4 Transition support

A system that incorporates the characteristics enumerated above—adequacy, accessibility, security, responsiveness, opportunity, and social connection—is one that will provide effective transition support. This, indeed, is another practical way to judge policies: how they respond to and help in transitions. It includes addressing transitions caused by the changing nature of work, but it extends well beyond that to addressing transitions in the lives of individuals resulting from circumstances as diverse as structural economic changes, climate change, and personal events related to health, legal, and family circumstances. It means providing not just insurance to backstop people but also a secure basis from which to make personal transitions. As we noted earlier, the more people in society who can adapt to and take advantage of transitions, the better off we all will be.

One way to view support through transitions is as social insurance against negative events. This is the way Leonard Marsh (1943) framed his template for Canada’s welfare state in the landmark 1943 *Report on Social Security for Canada*. It is possible, though, that the insurance frame is too narrow and too focused on negative events—losses of

## Part 2: Analytical Framework

employment, the effects of prolonged illness, and the like. Focusing on providing the means to a broad equality of self- and social respect may provide a broader and more positive framing. Throughout the report, we will mainly rely on this latter framing, but we will also continue to use the language of social insurance when it seems most relevant. That tends to occur when we are considering large negative events that require substantial short-term supports.



## 4. Public trust

In our initial discussion about justice, we argued for two key features beyond what might constitute notions of fairness: that the nature of just institutions and the functioning of the economy are intrinsically linked; and that a truly just set of institutions must be seen as just by all involved, including those who are more likely to pay into the system than draw benefits from it. Together, these considerations point to two further characteristics of just policies that address the issue of gaining and maintaining public trust and support.

The first is policy stability, by which we mean that the policies have sufficiently broad support that they will not simply be undone in the next political cycle and that they are economically sustainable.

The second is reciprocity, by which we mean that the policies have the quality of generating a society of mutual respect. For those who need support, this is respect for their needs and for the contributions they make. For those who are mainly paying to fund supports, it is respect shown by not treating the funds as coming from some nameless source that can be drawn from at will. This goal is achieved most directly by the recipients using the supports to engage as fully and actively in the society and economy as they can. Of course, there will be disagreements on what it means to take an active role and to respect the needs of others, but the policies should be created and implemented in such a way that they encourage respectful discussion on these points.

Reciprocity is a necessary condition for policy stability, but policy stability also incorporates economic and fiscal impacts. Policies will not be stable if the implications for the provincial budget or tax burdens are perceived to be negative by a large portion of society. They will not be stable if perceived as inducing perverse or inefficient responses by beneficiaries. They will also not be stable if they are not efficiently and effectively administered, since such waste will be seen by taxpayers as not properly respecting what is being asked of them. For similar reasons, the expenditures and overall costs must be presented in as transparent a manner as possible. The economic impacts of policies and their finance relate very directly to the incentives they create for paid employment, training, and investment, as well as for caregiving, volunteering, and community building.

Ultimately, how we view stability and reciprocity is based in how we see the functioning of the economy. This brings us back to our statement that society and economic production are reflections of our being social animals, very much in need of each other's co-operation. The COVID-19 pandemic crisis, with its revelations about the essential

## Part 2: Analytical Framework

nature of work done in grocery stores and delivery vans as much as the work done in hospitals, has shone a bright light on that joint need. Related to this is the notion put forward by some proponents of a basic income that the proceeds of production should really be seen as a common good able to be redistributed. It is certainly the case that we are all the beneficiaries of the stable democratic system and economy built by those who came before us. In that sense, as proponents of a basic income sometimes argue, we all have some claim to the proceeds of the economy's productivity. The most original innovator stands on the shoulders not just of earlier innovators in their area but of a society that provides an educated population, infrastructure, and a political system that can be trusted not to arbitrarily abscond with the proceeds of work and investment.

But we are also individuals with heterogeneous aims and desires, and we generally share an agreement that each of us has substantial rights over our labour efforts, cumulative savings, and tangible and intellectual property and proceeds from them. Our economy solves the problem of the need for co-operation by coordination accomplished through individual choices and actions determining market prices and wages in the economy. We are seeking policies that balance this dichotomy—the rights of all to a share in the production that is made possible by our joint co-operation and the rights of individuals to their property and proceeds from the ethical use of that property. Finding that balance point is needed for policies to be stable and to acknowledge our reciprocal relations with each other.

## 5. Comparison with terms of reference principles

The terms of reference for this project set out specific considerations (labelled as principles) that we are expected to take into account in our work. Table 2-1 compares the characteristics we have identified in our discussion with the terms of reference principles, showing how we are addressing all of the principles, together with additional considerations that flow from the social justice perspective underlying our work.

*Table 2-1: Comparison of characteristics with terms of reference principles*

Characteristics	Terms of reference principles
<b>Adequate</b> resources provided, focused on: <ul style="list-style-type: none"> <li>poverty reduction, including               <ul style="list-style-type: none"> <li>reducing the poverty rate</li> <li>reducing the depth of poverty</li> <li>preventing poverty</li> <li>breaking the poverty cycle</li> <li>reducing disparities across defined groups</li> </ul> </li> </ul>	Reduces poverty  Supports early intervention to mitigate impacts of life on long-term economic security
<b>Accessible</b> programs: <ul style="list-style-type: none"> <li>are simple and understandable</li> <li>have low barriers to access, low stigma</li> </ul>	Improves accessibility for people in need, persons with disabilities, Indigenous people  Reduces the unnecessary complexity associated with income and disability supports
<b>Security</b> enhancing programs: <ul style="list-style-type: none"> <li>provide stable, reliable support</li> <li>offer future opportunity</li> </ul>	Enhances income security  Facilitates the pursuit of education and training
<b>Responsive</b> programs: <ul style="list-style-type: none"> <li>enable people to respond to their particular circumstances</li> </ul>	Eases transitions between different income support programs and between income support and employment as applicable
<b>Opportunity</b> -creating programs: <ul style="list-style-type: none"> <li>enable people to exercise autonomy and competence</li> </ul>	Facilitates the pursuit of education and training

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Characteristics	Terms of reference principles
<b>Socially inclusive</b> programs: <ul style="list-style-type: none"> <li>act to build community</li> </ul>	Promotes social inclusion and socially beneficial activities
<b>Response to transitions</b> through: <ul style="list-style-type: none"> <li>creating resiliency to respond to crises, personal and societal</li> <li>broad equality of self- and social respect</li> </ul>	Eases work transitions
<b>Policy stability</b> requires consideration of: <ul style="list-style-type: none"> <li>fiscal implications</li> <li>efficient administration</li> <li>economic incentives and impacts</li> </ul>	<p>Increases program administration efficiency</p> <p>Reduces associated social costs of poverty (e.g., on the health-care and criminal justice systems)</p> <p>Considers impact on government's fiscal plan</p> <p>Promotes labour market attachment</p>
<b>Reciprocity</b> requires: <ul style="list-style-type: none"> <li>beneficiaries to take responsibility for playing the fullest and most active role in society and the economy that they can</li> </ul>	

## 6. Conclusion

We began our discussion by defining the ideals of a just society and economy, arguing that they are built on providing the means of self- and social respect to the broadest possible set of members of the society. That is not limited to material means but includes the bases of social connection and strong communities. We also argued that the justice of a society cannot be disentangled from the functioning of its economy, and that in a truly just society all of its members will recognize the justness of its institutions, even if to varying degrees. From this broad set of considerations we derived a list of specific characteristics of just policies: adequacy, accessibility, security, responsiveness, opportunity, social connection, policy stability, and reciprocity. In the remainder of this report, we will continually refer back to these characteristics, asking whether specific policy options—both basic incomes and others—contain these features.

But setting out the characteristics is far from the end of the story, as those characteristics are not infrequently in conflict with one another. Thus, any policy prescription will of necessity implicitly or explicitly set out a balance that reflects choices based on values and relative priorities—which of course is true of every public policy choice.

Differences between characteristics related to individual choice (autonomy and, to some extent, efficacy) and those related to social goals (social inclusion, policy stability, and reciprocity) reveal a key tension that arises frequently when considering public policy choices. Freedom of choice is viewed as being of paramount importance in the libertarian framing of the optimal state, pointing toward a minimalist state. Social considerations are given more weight in collectivist views in which the state is seen as an effective reflection of communal goals. In policy terms, as we will see, a basic income fits with a view putting more weight on autonomy and individual choice. The core idea is to give people the monetary resources to make the choices that are best for them. This potentially includes decisions to use these monetary resources as the basis for taking pro-social actions such as volunteering, but those are ultimately a matter of individual choice.

In a different, though related, dimension, policies can vary in their paternalism—how much is determined by the government without providing real agency to recipients. Even benefits delivered indirectly through community-based charitable organizations, including religious organizations are, at least at times, quite paternalistic. A basic income is the opposite: individual based and delivered in a way that involves a minimum

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of paternalism. Our current system is a mixture – focused mainly on delivering benefits to the individual rather than being concerned about community building, but with intrusive, paternalistic elements.

We believe that it is possible to find a mid-point where the advantages of social support approaches (such as their potential to help in building resilient communities and using the more social part of our nature to deliver more effective supports) are balanced with providing as much autonomy and sense of self-efficacy as possible. Our discussion—starting from our dual human natures as both individuals and social beings and working to a list of desirable policy characteristics—reflects such a balance. Our goal is to present a set of policies that strike this balance. In practical terms, we see potential in an approach based on human rights, in which access to supports and services are viewed from the perspective of meeting international human rights accords to which Canada is a signatory. Taking this perspective means that recipients can interact with social programs from a basis of strength rooted in their acknowledged rights. The recent federal National Housing Strategy is built on such a human rights approach, leading to the development of elements such as an ombudsperson and stakeholder advisory councils.

An important implication of using that approach is that, while one can apply it to specific programs and policy alternatives, it is fundamentally a systemic approach that forces one to put specific proposals into a broad system context, something that all too rarely happens. What matters is not only what services are delivered and that they are part of a coordinated system but also how policy change is made and implemented—it must be done in a way that includes those affected as equals whose opinion matters.

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## **Part 3: Background**

### **Information Applicable Throughout the Report**



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## 1. Introduction

Part 3 provides background information that is used throughout our analysis of the current system (Part 4) and basic income options (Part 5), and in developing our recommendations (Part 6).

Here we address five topics. In Section 2, we provide an overview of poverty in B.C. Although reducing poverty is not our sole concern in this report, understanding how poverty is measured, how the rate and depth of poverty have changed over time and why, and examining poverty in different demographic groups is an important foundation for our work. Among other things, it helps us understand what policies have been effective and to identify some of the groups that have been left behind and need particular attention.

In Section 3 we review the B.C. fiscal situation and potential sources of additional revenue. Enhancements to the B.C. income and social support system are likely to impose additional costs, whether these come in the form of a generally available basic income or through reforms to the current system. An understanding of B.C.'s fiscal situation and the opportunities to raise additional revenues are important context for determining what might be fiscally feasible.

Section 4 provides a review of labour market trends in B.C. It is useful for two reasons. First, one of the reasons commonly put forward for implementing a basic income is that work is being changed radically because of technological innovation, leading to a need for a policy response. This section tests the assertion that work is already changing. In addition, the functioning of the labour market is important in ensuring that workers have the opportunity for stable, satisfying jobs where they are respected. The degree to which that is the case is a factor in how many people find themselves in need of income and social supports.

In Section 5 we set out an approach for analyzing income-tested programs and their economic implications in terms of labour supply, explaining, in part, why giving people income-tested resources tends in some cases to affect the amount they work. Most income and social support programs are income-tested, and so are the majority of basic income proposals. This section helps us analyze these programs throughout the report and to design recommended changes to existing programs.

In Section 6 we outline the basis for our work. We describe the research that we commissioned to help answer some of the important questions associated with basic income and our current system. It highlights the results of consultations we conducted

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with interested groups and individuals, which provided us with guidance that was instrumental in addressing this challenging topic. We also commissioned a public survey to help us better understand public attitudes toward not only the basic income concept but also how it might be designed.

Taken collectively, these five disparate topics all contributed to the approach and content of the report, and support our conclusions and recommendations.

## 2. Poverty in British Columbia

This section is an abridged version of a paper prepared for the panel as part of our research program (Petit & Tedds, 2020e). It provides the basic context for what poverty is, how it is measured, and the situation in British Columbia. While our goal of moving toward a more just society is not limited to poverty reduction, the discussion in Part 1 and the panel's terms of reference make it clear that poverty reduction is a key element. It is therefore important to start with a clear understanding of what we mean by poverty, what the rate and depth of poverty are in B.C. at present, and how different groups within the population are affected.

As discussed in Part 1, we take a broad approach in considering poverty reduction. Poverty reduction is often conceptually limited to reducing the proportion of people below a poverty line—the poverty rate. Our concept expands that to include reducing the depth of poverty—how far people in poverty are below the poverty line—as well as preventing poverty, breaking the intergenerational cycle of poverty, and ensuring that specific groups in society are not disproportionately affected by poverty. However, the parts of poverty reduction that can be most easily measured are the poverty rate and, to a lesser extent, the depth of poverty; this section focuses on these statistics. It discusses the poverty rates for various demographic groups and the depth of poverty for each of the groups, after first discussing what poverty is and how it can be measured. It also discusses the results of using the Gini coefficient to measure distributional effects.

It should be kept in mind that most of the statistics on poverty presented here span 2006–2018. (Unless otherwise noted, all of the figures in this section present data for Vancouver,<sup>9</sup> B.C., and Canada, 2006–2018 sourced from Statistics Canada data related to the 2008 Market Basket Measure base.) The COVID-19 pandemic, which began late in the panel's work, will have a significant impact on poverty in B.C. However, as this report is being prepared, the pandemic is far from over and the statistics that will make the effects of the pandemic clear will not be available until well after our work has been completed.

### 2.1 Defining poverty

Defining poverty is not an easy task; regardless of how one defines it, the definition will be contested, disputed, and debated. There is wide variation in understandings of what

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<sup>9</sup> Specifically, the Vancouver Census Metropolitan Area.

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poverty is. Some poverty scholars focus on (the lack of) economic well-being—that is, they measure deficiencies in quantifiable factors such as income, wealth, or consumption. Other scholars focus on capability poverty, as advocated by Nobel Laureate Amartya Sen, defined as the actual opportunities a person has and their capability to achieve the various things a person has reason to value, such as good health and participation in society. In Sen’s definition, poverty is complex and multi-faceted and moves beyond a simple lack of income, with elements that resonate with our goal of moving toward a just society set out in Part 2 (Sen, 1999).

We also recognize that poverty is complex. And while income is only a single aspect of poverty, it is the most easily measured indicator. The Government of British Columbia has therefore chosen to examine poverty by looking at income (or the lack of it) and has set its poverty targets accordingly. As such, this report follows suit and defines the poverty rate as the fraction of the population living with low income (i.e., income below a specified threshold).

Statistics Canada has developed three measures of low income for Canada: the low income measure (LIM), the low income cut-off (LICO), and the Market Basket Measure (MBM) (Statistics Canada, 2015). Both the LIM and the LICO compare a family’s income with a predefined income threshold—LIM threshold is one-half of the median income in that year; LICO threshold is the income level at which a family is likely to spend 20 percentage points more of their income than the average family on food, shelter, and clothing. LICO is based on spending patterns measured by the 1992 Family Expenditures Survey, adjusted for inflation.

Until the mid-1990s, the LIM and LICO were relatively consistent, but by 2018 the overall Canadian LIM poverty rate was 12.3% and the LICO poverty rate was 7.3%. Those arguing that poverty had fallen would point to the LICO, while those arguing that poverty had not changed would point to the LIM.

To address this divergence and issues with both measures, Statistics Canada devised the Market Basket Measure (MBM) of poverty in the early 2000s (Statistics Canada, 2016b). Calculating the MBM threshold involves costing out a basket of goods and services associated with a modest standard of consumption adjusted for family size and geographical region. The MBM poverty rate compares family disposable income (total income less income taxes and non-discretionary spending) with the MBM threshold. The use of disposable income is important because it better reflects income available to purchase goods and services.

The Government of Canada chose MBM as Canada's official poverty line in 2018; it also developed a national poverty reduction strategy and set poverty reduction targets in *An Act Respecting the Reduction of Poverty* (Government of Canada, 2018). B.C. has likewise chosen the MBM as its official legislated poverty measure. As a result, the MBM is the measure of poverty used throughout this report. It is not a perfect measure of poverty, but no measure is.

In September 2020 Statistics Canada released updated MBM threshold estimates. The previously available information was known as the “2008 base,” which is what is reported in this paper. The new information is the “2018 base.” The two bases and their differences are discussed below. We have chosen to continue to use the 2008 base because the 2018 base is only available for the years 2015–2018 and the trends evident in the longer 2006–2018 time series available for the 2008 base are important to our analysis.

### 2.2 Using MBM to measure poverty

The following MBM statistical measures are available for 2006–2018:

- Income thresholds—defined as the disposable income below which someone would be considered living in poverty
- Low-income rates—defined as the proportion of people living with disposable income below the MBM threshold
- Depths of low income (average gap ratio)—defined as the gap between the MBM income thresholds and the average income of those whose income is below the MBM; the bigger the gap, the further below the MBM income threshold the group is on average

Before describing these poverty measures further and providing recent data, it's important to mention some caveats. First, the poverty statistics examined here do not provide a complete picture of the circumstances of those living in poverty. Income poverty is but one aspect of poverty. In particular they do not provide any information about the cycle of poverty—the extent to which a child born into poverty is more likely to live in poverty as an adult, or an adult's likelihood of living in poverty for the rest of their life once they become impoverished. Addressing the cycle of poverty is essential to ensuring that, once lifted out of poverty, an individual or family remains out of poverty forever, the true objective of poverty reduction.

Consideration of the various components that lead to the cycle of poverty are the focus of several of the papers commissioned by the panel, as are the reasons for poverty, along with wage, consumption, and wealth inequality, particularly ownership of assets, financial literacy and access to financial services.

Finally, the MBM framework generally does not include the value of in-kind public supports, such as subsidized housing or child care. To the extent that a family can access such support, the income they need to be above poverty is lower than these statistics show. This measurement issue is important to the extent that future expanded benefits mainly take the in-kind format, as recommended by this panel.

### 2.3 MBM poverty thresholds

MBM poverty statistics are calculated by comparing family income with the MBM income threshold and aggregating the results across the population to determine the poverty rate and average gap ratio for the population. The calculation is complex because the applicable MBM income threshold for a given family depends on the size of the family and where it resides.

The MBM is based on an “economic family,” which is a different concept than is used for income tax and census purposes. The economic family refers to a group of two or more persons living in the same dwelling who are related by blood, marriage, common-law marriage, or adoption, including foster children. There is no age limit associated with children or other blood relatives included in the economic family group. The census family definition treats adult children in the same manner as the economic family definition, including adult children living with parents in the census family.

In contrast, the concept used for income tax purposes is the “nuclear family,” which treats each adult child who lives with their parents as their own separate nuclear family. That matters because an adult child living with their parents may qualify for income-tested benefits even though they are not actually living in poverty because of parental support, which the tax system does not capture. Many such adult children are engaged in post-secondary education or other labour force training, a further complication. For poverty policy purposes it would be useful to be able to distinguish in tax data between those not being supported, those engaged in education, and those not participating in work or education.

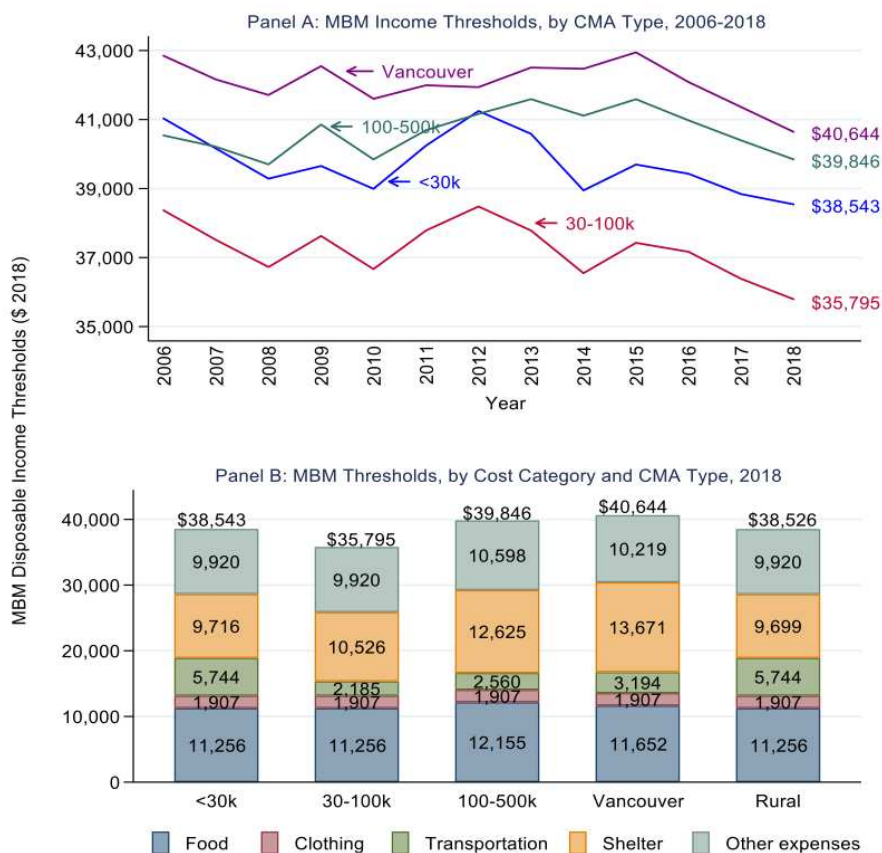
The MBM approach applies a scaling factor of the square root of the family size to increase the threshold as family size increases. That is, the threshold for a couple is the square root of 2 times the amount for a single person (scaling factor of about 1.41), and

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for a family of four the scaling factor is 2. For example, if the MBM poverty threshold for a single person living alone is \$20,000, the corresponding threshold for an adult couple residing together is about 1.41 times that amount or \$28,200. This reflects the economies achieved by living together and is used in Part 5 when we consider basic income designs.

As mentioned above, thresholds also vary with geography. Specific threshold levels are estimated for major cities across Canada, as well as for urban areas with different population ranges and rural areas for each province. That reflects differences in the cost of living experienced in different areas, enabling poverty statistics to more accurately reflect the diversity of living costs across Canada. Geographic differences in the MBM threshold will be important considerations as the province considers how to devise appropriate poverty policies.

*Figure 3-1: MBM 2008 base income thresholds, B.C.*



Source: Statistics Canada Table 11-10-0066-01



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Figure 3-1 displays the MBM 2008 base income thresholds for a representative family of four (two adults and two children) in B.C. for Vancouver, and regions in three population categories. As noted above, the level for a family of four is twice the level for a single adult. For different family sizes, divide the amount for representative family by two and multiply by the square root of the number of family members. Panel A shows how MBM thresholds have changed over time, and how those trends vary with population size. Unsurprisingly, Vancouver is the most expensive area to live in B.C., but closely followed by other major urban areas. It is also interesting that communities of less than 30,000 people and rural areas (not shown but with very similar trends) are more expensive than mid-sized areas with population up to 100,000 primarily due to transportation costs.

*Figure 3-2: MBM 2008 base and 2018 base income thresholds, B.C.*

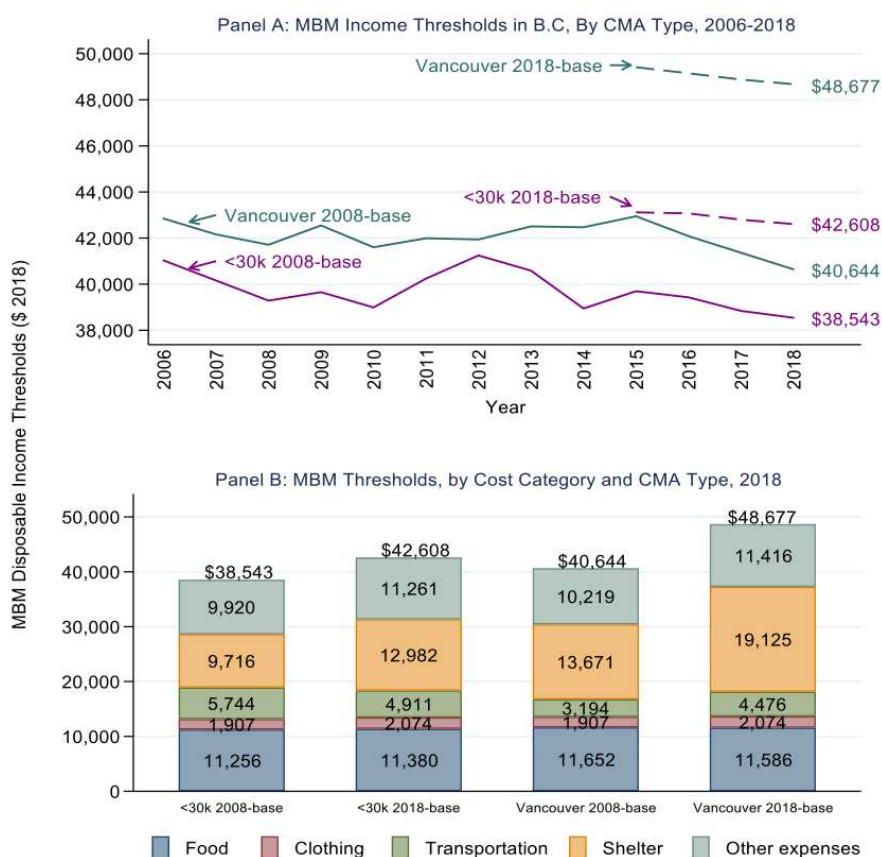


Figure 3-2 compares the MBM 2008 base to the MBM 2018 base for Vancouver and CMAs with less than 30,000 population. The bases changed because the methodology

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used to calculate the thresholds has changed to better reflect the needs of a representative family and patterns of spending shown in the 2016 census data.

Panel A indicates that the thresholds have increased significantly, by 19.8% and 10.5% respectively for 2018. That means that the number of people considered to be in poverty has increased significantly as a result of adjusting the threshold base. For British Columbia as a whole, changing the base has increased the measured poverty rate from 8.9% to 12.1%. Panel A also shows that the trend over the past four years (all that is available for the 2018 base) has been similar for the two bases. That suggests that in terms of longer trends, the 2008 base can still provide useful insights.

Panel B compares the 2018 threshold components for the two areas under the two bases. It shows that there have been no material changes for food and clothing. Transportation shows a small decrease in small communities (15%) and a significant increase in Vancouver (40%). The major increases in both areas comes in shelter, up by 33% and 40% respectively. Other expenses are up by about 12% in both areas.

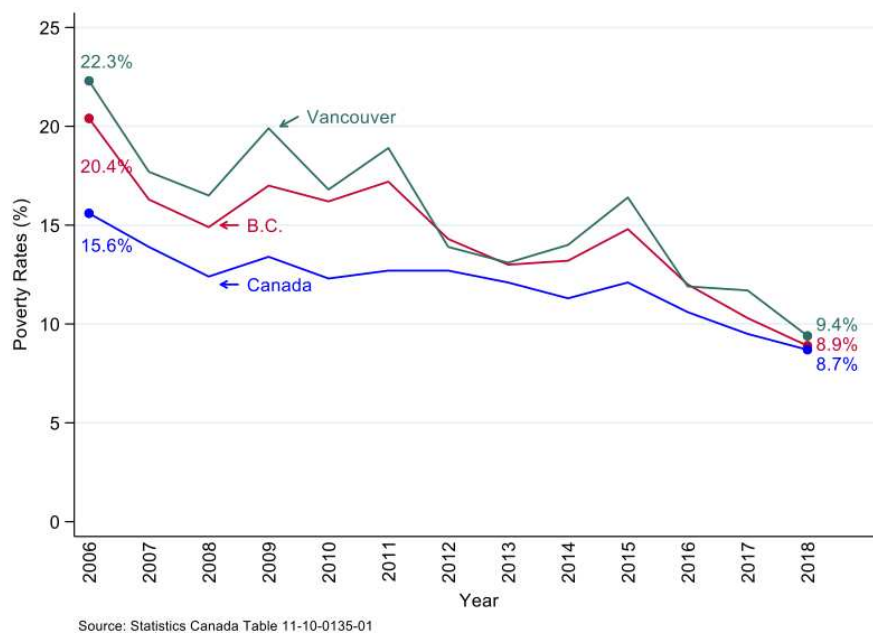
The increase in the shelter component has policy implications for B.C. and reinforces the ongoing concerns about the impact of rising shelter costs generally, but especially on low-income families.

### **2.4 Poverty rates in B.C.**

B.C.'s poverty rates have historically been high compared with Canada as a whole, with Vancouver being higher than the rest of the province, as shown in Figure 3-3. In 2006, poverty rates in B.C. and Vancouver were much higher than the overall rate for Canada. Since then, all three poverty rates have declined. The trend has been for the gaps both between the Vancouver and B.C. rates and between the B.C. rates and the rate for Canada to close. In 2018, the poverty rate was 9.4% in Vancouver, 8.9% in B.C., and 8.7% in Canada.

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*Figure 3-3: MBM overall poverty rates, Canada, B.C., Vancouver*



### Poverty rates by age group

The convergence of the poverty rates for Vancouver, B.C., and Canada, especially since 2017, is noteworthy. Yet it leaves unanswered the question as to why poverty rates have been and continue to be higher in B.C. than in Canada.

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Figure 3-4: MBM poverty rates by age, Canada, B.C., and Vancouver



Source: Statistics Canada Table 11-10-0135-01

Klein et al. (2017) had previously argued that B.C. had a much higher poverty rate than Canada for five reasons:

- the lack of a provincial poverty reduction strategy, until very recently
- high child poverty rates

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- a larger senior population, particularly single senior women with limited work-related pension income
- wage rates that do not keep pace with costs, especially housing costs
- income and disability assistance rates far below the income thresholds needed to lift people above the poverty line.

In 2016 the federal government introduced the Canada child benefit and in 2017 the B.C. government introduced a poverty reduction strategy, increased the minimum wage, brought in measures to tame housing costs, and raised income and disability assistance rates. It may be that these measures contributed to the reduction in poverty seen since 2017.

We can explore some of these considerations by breaking down poverty rates by age, as shown in Figure 3-4. Panel A shows that in 2006, poverty rates for children<sup>10</sup> (persons under 18 years) in B.C. were substantially higher than for Canada, but that gap had closed substantially by 2012. Since then, child poverty rates have continued to fall and converge, until in 2018, child poverty rates in Vancouver were 6.1% compared with 6.9% in B.C., and the child poverty rate for Canada was higher, at 8.2%.

Panel B shows poverty rates for working-age adults<sup>11</sup> (ages 18–64), which exhibit similar trends to child poverty rates. Poverty rates start high in 2006 and since then have trended downward and converged substantially. By 2018, poverty rates for working-age adults had dropped to 10.7% in Vancouver, 10.5% for all of B.C., and 10.3% for Canada.

Panel C shows a different story for poverty rates among seniors (age 65+). Poverty rates for seniors in Vancouver and B.C. are and always have been significantly higher than for Canada. By 2018, all three rates had dropped to the point where seniors had the lowest poverty rates of all age groups, but the geographical differences are noteworthy. While only 3.5% of seniors were living in poverty in Canada in 2017, 5.1% of seniors in B.C. and 7.6% of seniors in Vancouver were living in poverty.

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<sup>10</sup> For the child poverty measure, the disposable income of the economic family in which the child resides is compared with the relevant MBM threshold.

<sup>11</sup> Working-age adults include both working-age adults in economic families (i.e., couples with and without children and singles with children) and persons not in economic families (i.e., working-age single adults with no children). For each working-age adult, the disposable income of the economic family (or single without children) is compared with the relevant MBM threshold.

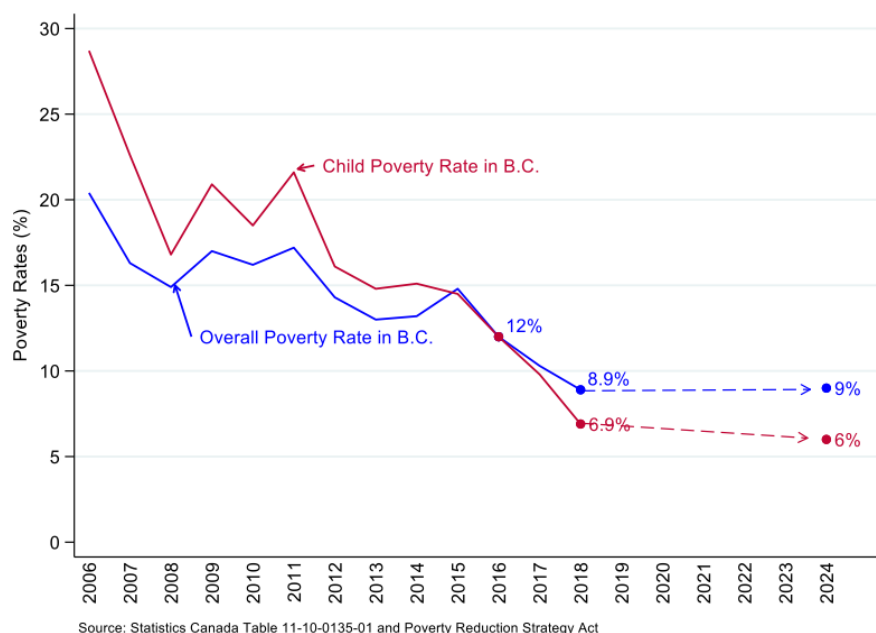
## Part 3: Background

In summary, poverty rates for all three age groups in B.C. have fallen since 2006, with the largest decline in child poverty, which has now fallen below the national average. The age group with the lowest poverty rate is seniors, at 5.1%, but this is higher than the national average. Working-age adults are close to the national average but have the highest poverty rates among the three groups. Note that senior and working-age poverty rates have decreased over the period, while the proportion of the population in B.C. that is senior and working-age has risen (Statistics Canada, 1996, 2019a).

### Poverty targets and trends in B.C.

B.C. has set legislative targets for the overall poverty rate and the poverty rate for children (there are no specific targets set for Vancouver or other jurisdictions in B.C.). Using the 2016 MBM poverty rate of 12% for both overall poverty and child poverty, the poverty reduction target is set to reduce overall poverty rates in B.C. by 25% by 2024, yielding a target of 9%, and to reduce child poverty by 50% by 2024, yielding a target of 6%. The dashed lines in Figure 3-5 show that B.C. met its legislative target for overall poverty in 2018 and is very close to meeting its child poverty target. Note that these targets were established in reference to the MBM 2008 base and it is, as yet, unknown whether the targets will be updated as a consequence of the MBM 2018 base being introduced.

*Figure 3-5: Poverty rates and legislative targets, B.C.*

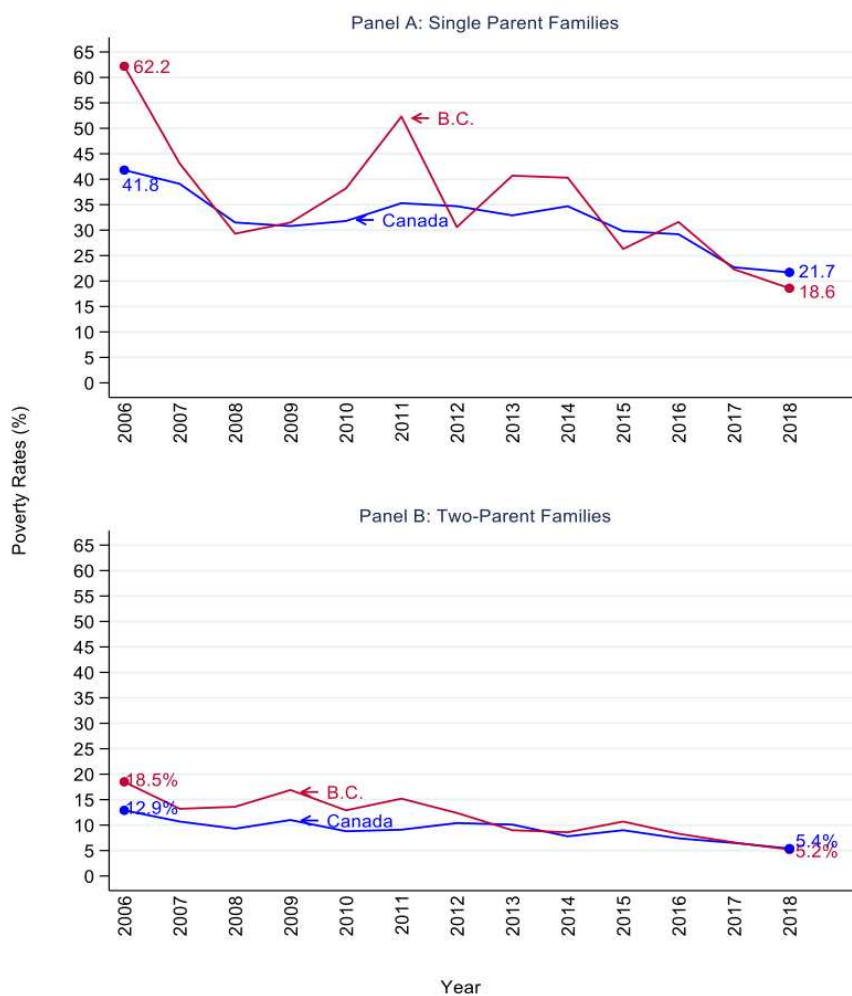


## Part 3: Background

It is also unknown how the COVID-19 pandemic has affected measured poverty rates to this point and how those rates will change as the pandemic continues and eventually abates, but it is likely the effects will be felt for a considerable period of time.

Government will be faced with decisions about how best to manage those consequences of the pandemic, and to prepare for future widespread disruptive events whether related to financial, pandemic, climate change or some other type of crisis.

*Figure 3-6: MBM poverty rates for families with children, Canada and B.C.*



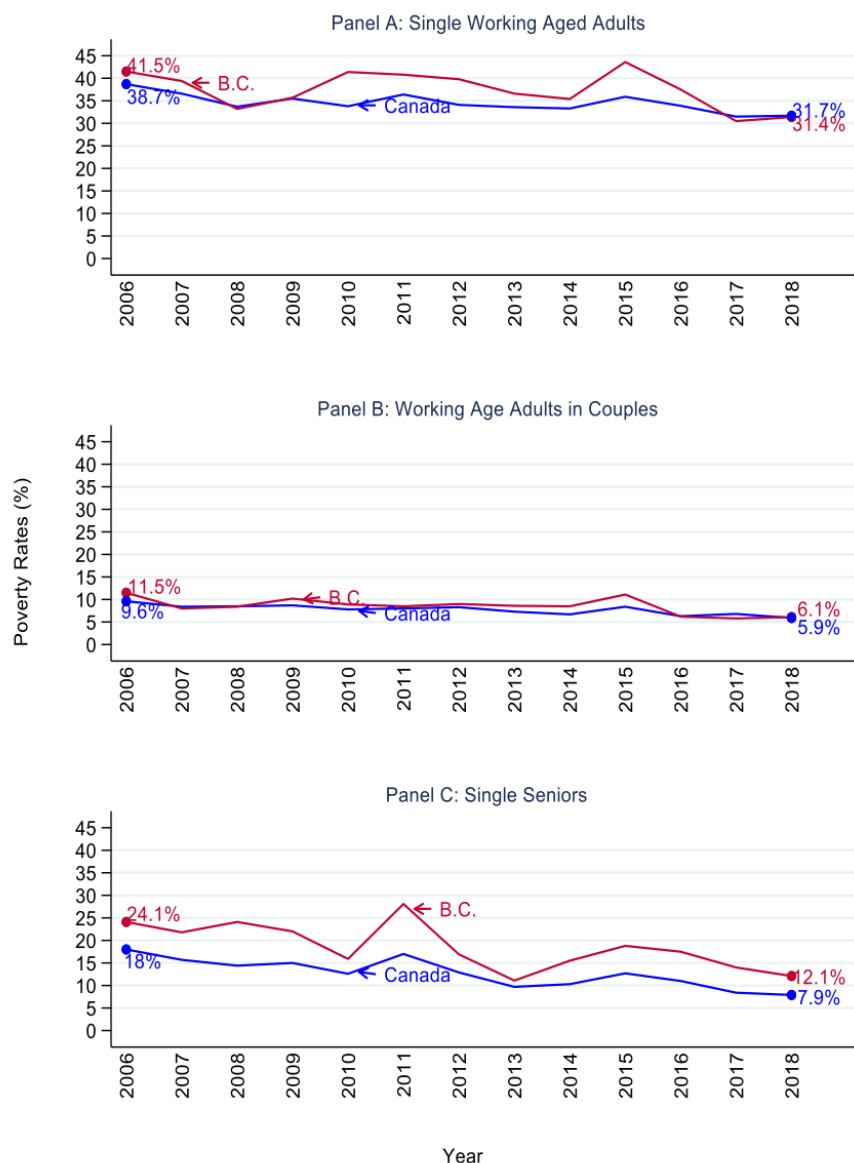
Source: Statistics Canada Table 11-10-0136-01

### Poverty rates by family type

It is also important to consider poverty rates by family type. Figure 3-6 shows poverty rates for families with children. This includes single-parent families and two-parent families.

## Part 3: Background

*Figure 3-7: MBM poverty rates for family types without children*



Source: Statistics Canada Table 11-10-0136-01

Poverty rates for single-parent families are, unsurprisingly, higher than for two-parent families, but they have dropped substantially.<sup>12</sup> As for child poverty rates, single-parent family poverty rates in B.C. have fallen from one and half times the national average to below the national average over the 12-year period. A similar result occurred for two-

<sup>12</sup> Due to poor data quality related to poverty rates in Vancouver by family type, only data for B.C. and Canada is presented here. However, the trends noted above suggest that poverty rates are regularly higher in Vancouver than in either B.C. or Canada, a fact for the province to keep in mind in designing its anti-poverty policies.



## Part 3: Background

parent families, but the result is a two-parent poverty rate of only 5.2% and a single-parent rate over three times as high, at 18.6%.

Turning to working-age adults (ages 18–64) without children, Figure 3-7 shows that the gap between the B.C. and Canada poverty rates has been relatively small, and while there has been some reduction in rates since 2015 it has not been as dramatic as the reductions seen in the previous figures.

The key observation is that the poverty rates for single adults are very high compared with couples with or without children and single parent families. One in three single working-age adults lives in poverty. This is an important fact for the province to keep in mind, as the proportion of single working-age adults is increasing in Canada and in B.C. If the poverty rate for this group remains high, as the proportion of single adults increases it will be increasingly difficult for the B.C. government to continue to meet its target for the overall poverty rate in B.C.

Single working-age adults have historically has not been well served by income and social support programs. These observations support considering policies that focus on reducing poverty for this group in any policy reform initiative.

Given the differences between poverty rates for working-age singles and for couples, it is worth revisiting poverty rates for seniors. Panel C presents poverty rates for single seniors: they are over twice as high as for seniors overall (Figure 3-3, Panel C). Also, compared with other groups, the single senior poverty rate has not converged as much with the national rate, leaving B.C. with relatively high rates. This shows that the low overall senior poverty rate is driven by low poverty rates among seniors in couples.

### Poverty rates by sex

One final categorization to consider is that related to sex. Figure 3-8 tells a familiar story, which is remarkably consistent for the two sexes. While women historically had a marginally higher poverty rate than men, their poverty rates have converged. By 2018 both sexes had similar poverty rates across the jurisdictions, but with women now having slightly lower poverty rates than men. Overall, poverty rates in Vancouver and B.C. are higher than for Canada for both sexes, but they have converged significantly.

## Part 3: Background

*Figure 3-8: MBM poverty rates by sex*

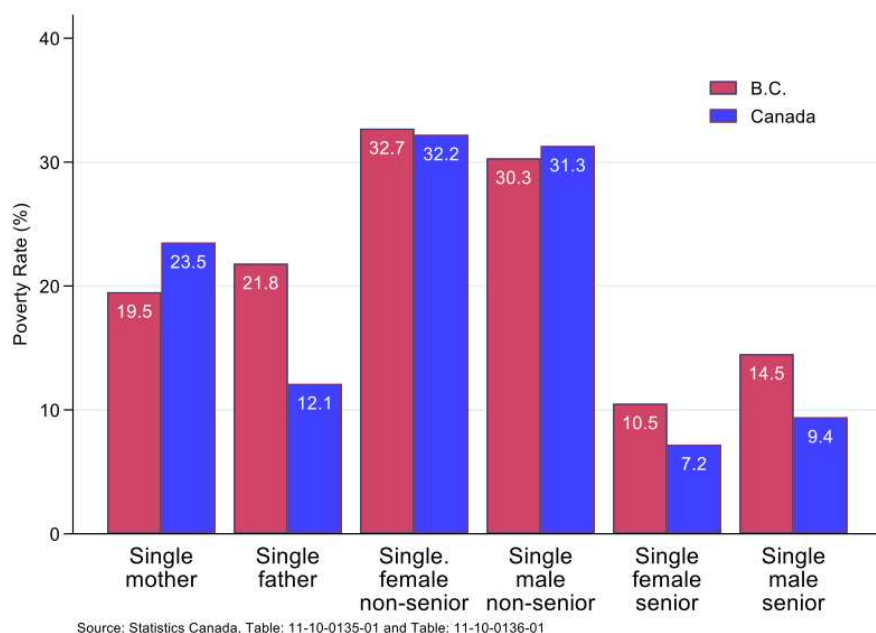


Figure 3-9 breaks down the poverty rates by sex for single parents, working-age singles, and single seniors for 2018.<sup>13</sup> Most striking are the rates for single parents and seniors. Single childless working-age adults have similarly high rates for men and women, although women are somewhat higher for B.C. and Canada. For single parents, the surprise is that fathers have a higher poverty rate than single mothers in B.C., and a much higher rate than the national rate. Similarly, for seniors, men have a substantially higher poverty rate than women.

<sup>13</sup> Due to poor data quality related to poverty rates in Vancouver by sex and family type, only data for B.C. and Canada are presented here.

## Part 3: Background

*Figure 3-9: MBM poverty rates by sex and family type, B.C. and Canada, 2018*



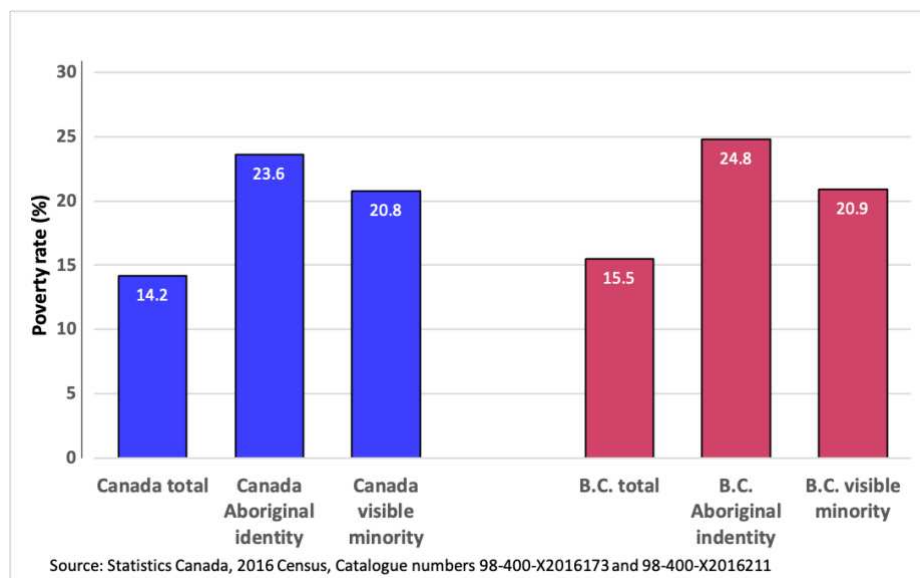
### Poverty rates by Aboriginal identity and visible minority

Finally, we examine poverty rates for those identifying as Aboriginal<sup>14</sup> and those with visible minority status in the 2016 census, shown on Figure 3-10. MBM poverty rates are not available for these groups in the census data, so the low income measure, after tax (LIM-AT) is used to measure the poverty rate. While not directly comparable to the MBM poverty rates shown earlier, the relative poverty rates are of interest.

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<sup>14</sup> Note that low-income concepts are not applied on Indian Reserves by the census because of substantial in-kind transfers and barter economies that make interpretation of low-income statistics difficult.

*Figure 3-10: Low income measure after tax poverty rates, Aboriginal identity and visible minority, 2016*



For both Canada and B.C., poverty rates for those with Aboriginal identity and with visible minority status are similar. These reported poverty rates for those with Aboriginal identity and visible minorities are about 60% and 40% higher respectively than those for the general population. Poverty rates for visible minorities vary considerably across visible minority groups.

This reinforces the need for Indigenous people as a group to be given careful and inclusive consideration, as we recognized when planning our work. As indicated in Part 1 of the report, the pandemic crisis prevented the collaborative process that had begun from being completed, and we have recommended that it continue as a separate process.

In addition, the data suggests that visible minorities also require public policy consideration in the income and social support policy area, as well as other social policy spheres, including health, justice, education, and advanced education, in order to address historic and ongoing systemic racism. Income and social support programs can be both sources of systemic racism and tools of redress.

### **Summary: Poverty rates**

The poverty trends presented here clearly show that single persons have very high rates of poverty. The family type with the highest rate of poverty in B.C. (and Canada) in 2018 is working-age single adults, with working-age single females being the highest overall at 32.7%. Policies targeting child poverty reduction have evidently had a

discernible impact on poverty rates for both children and their parents. No longer are single parents the family type experiencing the highest rates of poverty; however, their poverty rates are still high, at 22.3%. It is also clear that couples experience the lowest rates of poverty, while singles experience the highest rate of poverty. While this finding is not surprising, it is an important fact for the province to note, given that singles are a growing form of family type (Statistics Canada, 2017; Tang et al., 2019).

### 2.5 Depth of poverty in B.C.

The next set of statistics considers the depth of poverty, defined as the gap between the MBM income thresholds and the average income of those whose income is below the MBM. Depth of poverty is measured by the “average gap ratio”—the bigger the gap, the greater the depth of poverty.<sup>15</sup> The average gap ratio is expressed as a percentage of the MBM income thresholds. For example, a family of four living in Vancouver with an income of \$30,000 and an MBM income threshold of \$40,644 would have a gap ratio of 26.2%. The average gap ratio for a given population (e.g., all families of four) is the average of these values as calculated for each family.

Examining depth of poverty over time is potentially problematic, as interpretation of the movement over time is difficult. Consider this example: Suppose there are only two families. Family A has an income of \$19,000/year and family B has an income of \$15,000/year. Otherwise, both families are exactly the same. Suppose as well that the poverty line is \$20,000. Given these incomes, the average gap ratio is 15%. Suppose that due to some policy change, both families receive an extra \$1,000 of income. Family A is moved out of poverty to an income of \$20,000 and family B remains in poverty with an income of \$16,000. After this policy change, the average gap ratio is 20%—the average gap ratio has gotten worse even though both families have a higher income. Thus, as the average poverty gap increases, it is possible that all families are better off. This occurs because as there is an improvement in poverty reduction—that is, there are fewer families with income below the income threshold, and the number of persons/families over which the average gap ratio is measured decreases.

Regardless of the fact that care must be taken in interpreting the average gap ratio, it is useful in assessing how many resources are needed at a given point in time to eradicate poverty through a perfectly targeted cash transfer. For example, an average

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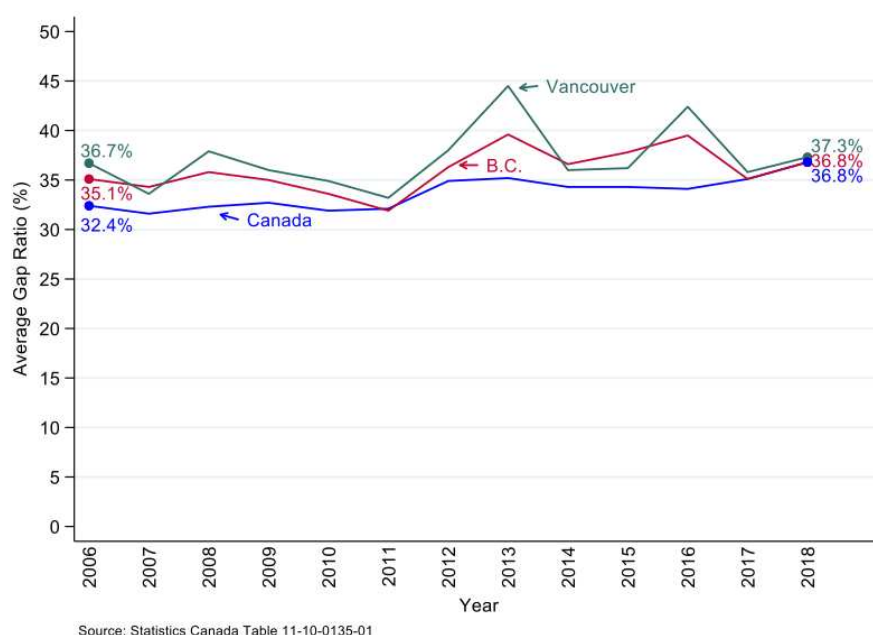
<sup>15</sup> More specifically, the average gap ratio is computed as follows:  $AGR = \frac{1}{n} \sum_{i=1}^n \frac{(z - y_i)}{z}$  where  $z$  is the income threshold,  $y_i$  is individual  $i$ 's income, and  $n$  is the number of persons/families under the poverty line.

### Part 3: Background

gap ratio of 15% means that a perfectly targeted cash transfer that is 15% of the poverty line is needed to eradicate poverty. This provides a sense of the intensity of poverty.

Additionally, adding consideration of the average gap ratio to the traditional focus on the poverty rate has implications for policy decision-making related to meeting defined poverty reduction targets because there is a trade-off between an improved poverty rate and an improved average gap ratio. On one hand, the government could focus on moving those persons/families just below the poverty line to the poverty line (or above). This would decrease the poverty rate but could potentially increase the average gap ratio. On the other hand, focusing on those persons/families in the greatest depths of poverty and helping them move closer to or above the poverty line would decrease the average gap ratio but may have less impact on the poverty rate.

*Figure 3-11: MBM average gap ratio, Canada, B.C. and Vancouver*

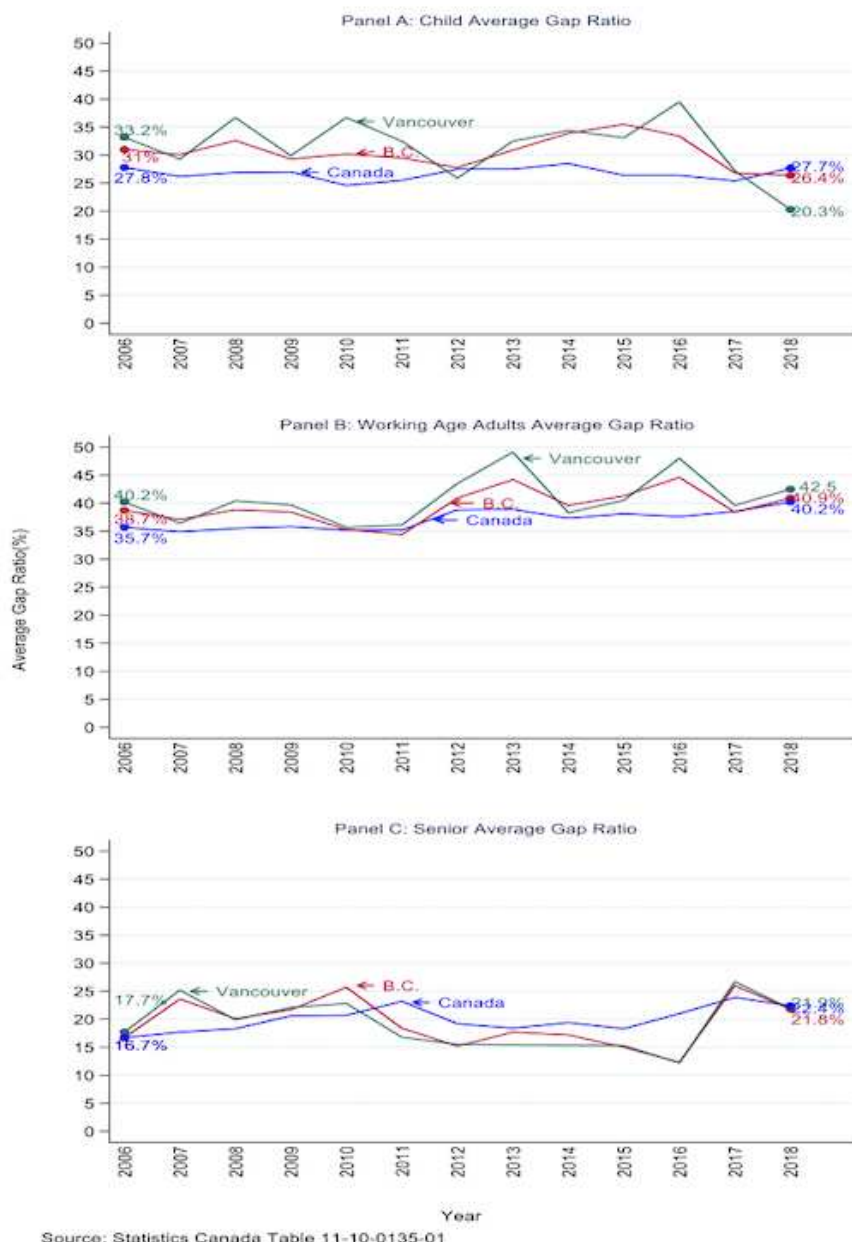


Source: Statistics Canada Table 11-10-0135-01

Figure 3-11 presents the average gap ratio overall in Canada, B.C., and Vancouver. It shows that the trend for B.C. has been generally flat, although it has increased somewhat for Canada over the period, while the MBM poverty rate has been falling, as shown earlier. That demonstrates the point made above and suggests that reductions in poverty rates have affected those at all levels of poverty about equally. Those changes have benefited both those just below the poverty threshold and those at the very bottom.

## Part 3: Background

Figure 3-12: MBM average gap ratio by age, Canada, B.C., and Vancouver



### Depth of poverty by age group

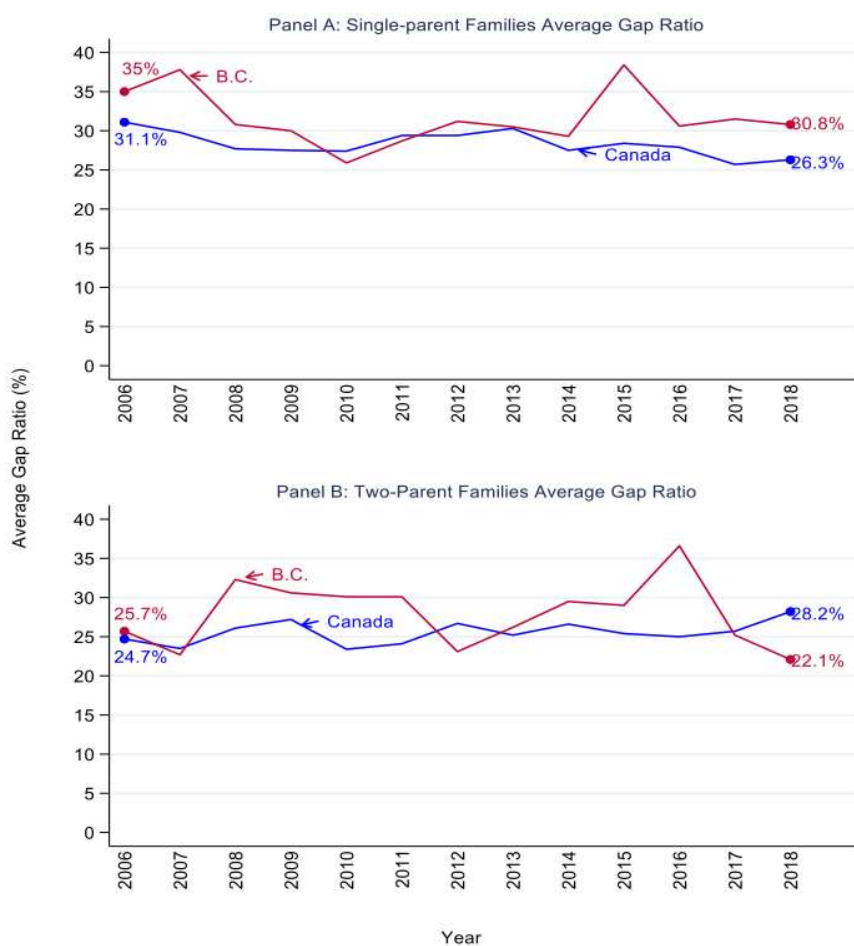
The panels in Figure 3-12 present the depth of poverty by age group. What stands out is the drop in the depth of poverty for children in B.C. and Vancouver between 2016 and 2018. The fact that child poverty rates have also declined significantly over this period is good news. It will be important to track how the introduction of the new B.C. Child Opportunity Benefit in October 2020 affects these trends.

## Part 3: Background

In 2018 working-age adults had the largest average gap ratios, while seniors and children had relatively similar average gap ratios. It is also noteworthy that for all children and working-age adults, the average gap ratios in B.C. and Vancouver are consistent with Canada's. Overall, this tells us that working-age persons who were in poverty were the deepest in poverty in 2018, and it will take a larger cash transfer to eradicate poverty for this group.

### Depth of poverty by family type

*Figure 3-13: MBM average gap ratio for families with children, Canada and B.C.*



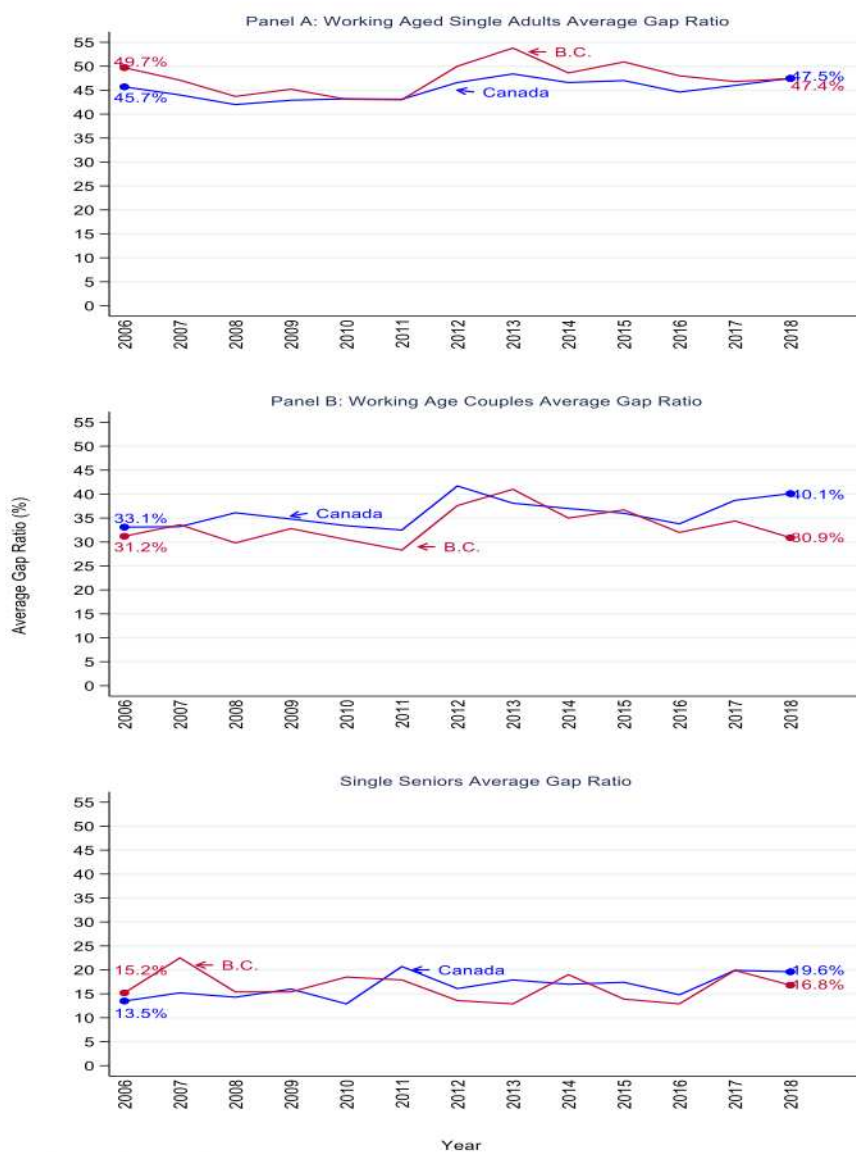
Source: Statistics Canada Table 11-10-0135-01



### Part 3: Background

Figures 3-13 and 3-14 present the average gap ratio for families with children and without children respectively.<sup>16</sup> The results over time reveal little, although the improvement for two-parent families since 2016 contrasts with the lack of change for single-parent families.

*Figure 3-14: MBM average gap ratio for families without children, Canada and B.C.*



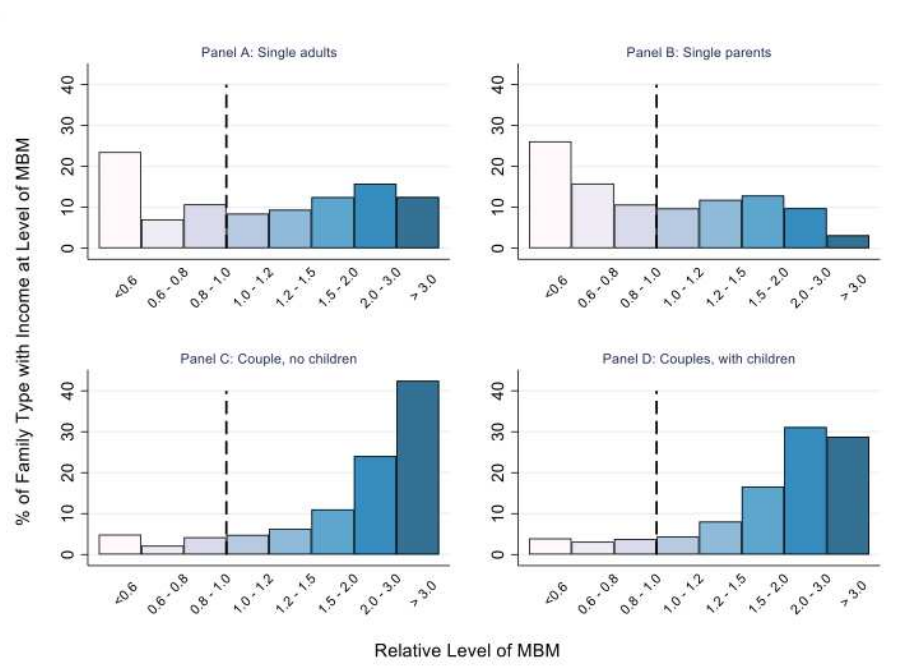
<sup>16</sup> Vancouver is omitted here due to poor data quality. Depth of poverty in Vancouver is likely to be slightly higher than in B.C.

### Part 3: Background

As a result of that drop, in 2018 the average gap ratio for single-parent families is much higher than for two-parent families. Comparatively, non-elderly persons/families with no children have an even higher average gap ratio than families with children. Working-age single adults with no children have the highest average gap ratio across all family types. As we saw with poverty rates, this supports two observations made earlier:

- Child benefits are helping families with children in terms of both the rate and depth of poverty.
- Single working-age adults without children are currently the worst-off demographic group we have identified, with higher poverty rates and higher average gap ratios.

*Figure 3-15: Income relative to MBM by family type, B.C., 2016*



Seniors have the lowest depth of poverty of any age group. While only single seniors are shown (because of data quality), their average gap ratio was much lower than for seniors overall in 2018—16.8% compared with 21.3%. This means that the average income of single seniors in poverty is closer to the MBM thresholds than that of seniors in couples. While the poverty rate for seniors in couples is much lower than for single seniors, it means that seniors in couples who are in poverty have much lower average income relative to their MBMs than single seniors, who have a much higher poverty rate.

### Part 3: Background

Finally, Figures 3-15 and 3-16 provide a different perspective on the depth of poverty by taking a more in-depth look at the distribution of income levels relative to the MBM by family type.<sup>17</sup> Figure 3-15 shows, for different family types of all ages in B.C., the distribution of disposable income relative to the MBM in 2016 with the proportions adding to 100% for each for each panel. Families with income below the black dashed line are considered to be living in poverty. Single parents and single adults are the most likely to have incomes of less than 60% of the MBM (<0.6 on the horizontal axis) whereas couples (both with and without children) are the most likely to have incomes greater than three times the MBM (>3.0 on the horizontal axis).

*Figure 3-16: Income relative to MBM by family type and age, B.C., 2016*

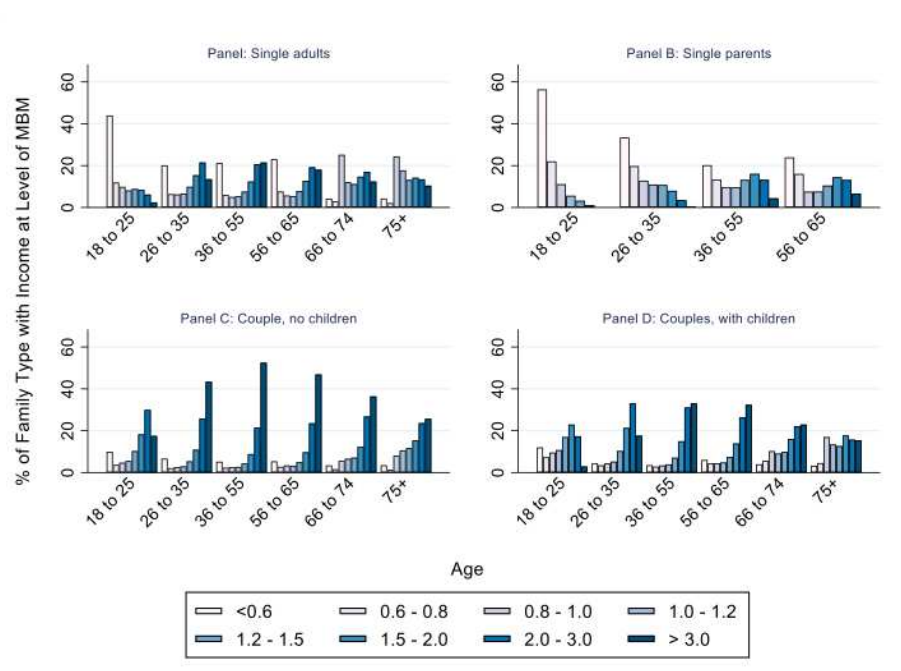


Figure 3-16 presents the distribution of income compared with the MBM by family type and age group. For each age cluster in each of the panels, the proportions add to 100%. For single parents and single adults, persons aged 18–25 are the most likely to have an income of less than 60% of the MBM.

The poverty rates for single persons aged 18–25 should be treated cautiously. While the MBM framework uses an economic family definition, these proportions were calculated using income tax data. In the tax data, those aged 18–25 are considered an

<sup>17</sup> This data analysis uses the T1 Final tax statistics for 2016, and the results were provided by the B.C. Ministry of Finance.

## Part 3: Background

independent economic unit even if they live in the same dwelling as their parents. In addition, it makes no adjustment if they are in education, employment, training, or none of these categories. That is, these figures include both those aged 18–25 who are being supported by their parents, some living in their family’s home, and may not be truly experiencing poverty and other singles of the same age who are not supported by their parents and may be truly experiencing poverty.

The high poverty rates and depths persist for single adults aged 18–25 and single parents as they get older (i.e., 26–55). At age 65, poverty rates and depths diminish for single adults. At age 36, poverty rates and depths appear to diminish for single parents; however, it should be noted that there are very few single parents over the age of 65. Regardless, some older single adults (ages 66–75 and 75+) still have incomes less than the MBM, though in the 80–100% of the MBM range, indicating that they are not as deep in poverty as those who are under 65 years of age. Age 65 is a turning point in the breadth and depth of poverty for single adults, likely due to their eligibility for more generous public benefits, such as Old Age Security/Guaranteed Income Supplement and Canada Pension Plan.

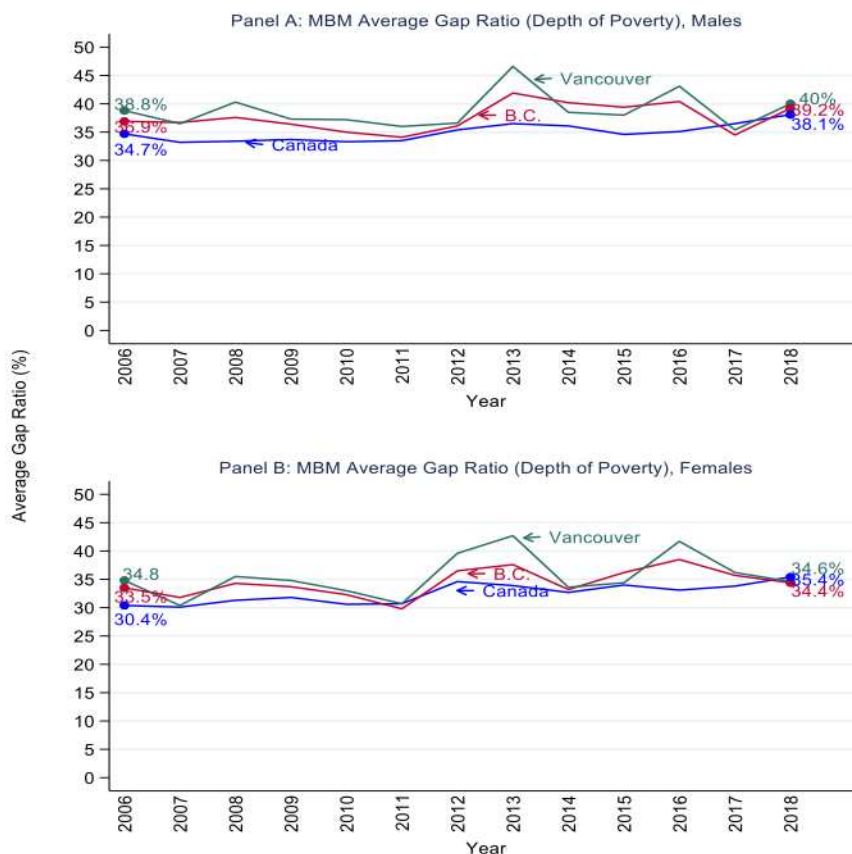
Also, as shown in Figure 3-16, the breadth and depth of poverty for couples improves as they age, and they are best off over age 36–55 in terms of income levels relative to the MBM. Beginning around age 56, a couple’s income relative to the MBM begins to decline. This trend is opposite to that seen for single adults and single parents.

### **Depth of poverty by sex**

The final depth of poverty categorization to consider is related to sex. Figure 3-17 shows the average gap ratio for males (Panel A) and females (Panel B) for Vancouver, B.C., and Canada. While females historically had a marginally higher poverty rate than males, females have had a lower average gap ratio than men, and this gap has not narrowed at all over the period. Unfortunately, the average gap ratio by sex and family type data are of poor quality over the entire period covered, so it will not be analyzed here.

## Part 3: Background

Figure 3-17: MBM average gap ratio by sex



Source: Statistics Canada Table 11-10-0135-01

## 2.6 Income inequality

Poverty is closely associated with income inequality and reducing both poverty and inequality contributes to moving toward a more just society. Two measures of income inequality are briefly examined here: the Gini coefficient and the share of income going to different groups of income earners.

The Gini coefficient is a measure of inequality which falls in a range between 0 (perfect equality in which everyone has the same income) and 1 (perfect inequality in which all income goes to one person).

### Part 3: Background

*Figure 3-18: Adjusted after tax income Gini coefficient, Canada and B.C.*

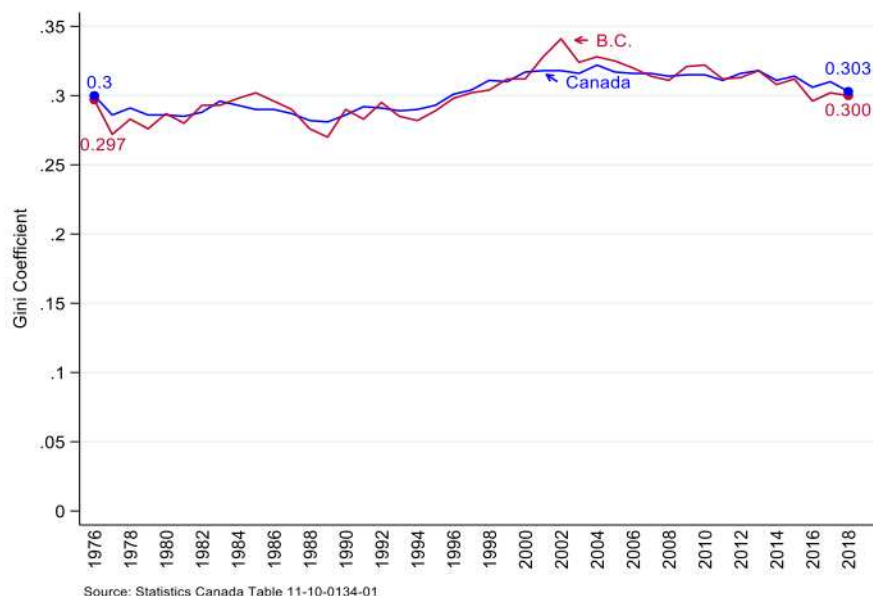


Figure 3-18 shows that the Gini coefficients for Canada and B.C. track each other closely, with B.C. being slightly more volatile. The Gini coefficients decreased in the 1980s but increased again in the mid-1990s, and they have stayed fairly flat since, ending in 2018 almost exactly where they began, at 0.3. Fortin et al. (2012) provide a discussion of the path of the Gini coefficient in Canada, noting:

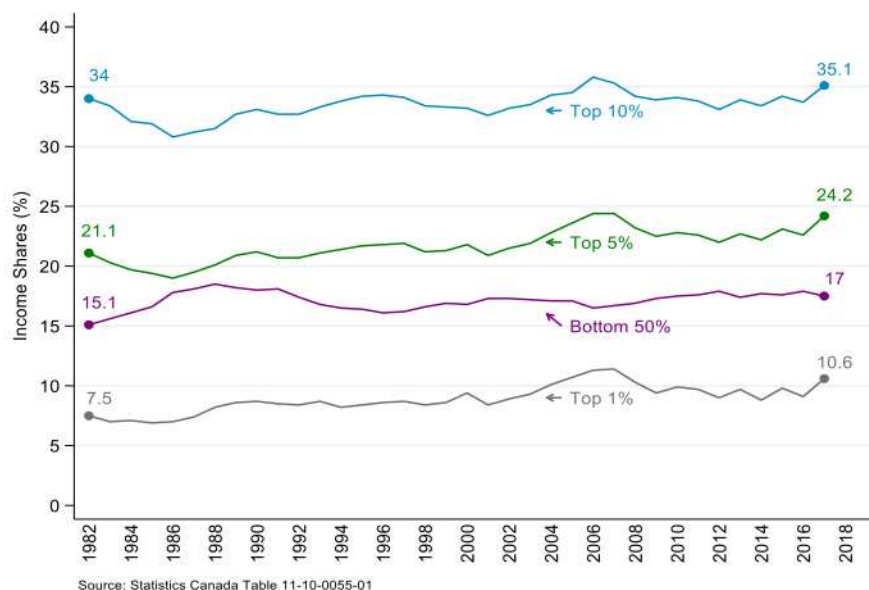
One possible conclusion from these patterns is that while taxes and transfers can work to reduce inequality, the political will to address persistent increases in earnings inequality through these policy tools alone may not exist. The real solution must have to do with addressing earnings inequality directly. (p. 124)

One such measure of earnings inequality is the share of income going to various earners. Figure 3-19 presents various income shares for the top 1%, 5%, and 10%, and bottom 50% of income earners in B.C. While income shares among the top earners declined during and after the financial collapse in 2009, the graphs show that the income shares of all three of the higher-income groups rose significantly in 2017. On the other hand, while the bottom 50% made some modest gains in their income shares after 2010, more recently there have been no gains and there was a drop in 2017. It is noted that the B.C. government has recently planned or implemented policies that may help reduce inequality, including a plan to raise the minimum wage to above \$15,

## Part 3: Background

consideration of policies that support living wages, and an increase in the top income tax rate.

*Figure 3-19: Income shares for the top 1%, 5%, and 10%, and bottom 50%, B.C., 1982–2017*



## 2.6 Conclusion

Section 2 has explored the rate of poverty, depth of poverty, and income inequality in B.C. Poverty rates fell significantly, by over 50% overall, between 2006 and 2018 while the depth of poverty has remained relatively steady overall.

Figure 3-20 provides a comparison of poverty rates for various groups with the overall poverty rate, expressed as a percentage difference. The striking feature of the figure is the degree to which the poverty rate for single adults exceeds the poverty rate for all other groups. Not only are single working-age adults in B.C. the most likely to experience poverty (over three in 10), but they also experience the deepest level of poverty. Single parents, especially those who are younger (i.e., ages 18–24) are also relatively more likely to be in poverty and deeper in poverty. People identifying as Aboriginal and visible minorities are also more likely to be in poverty. All of these groups will often be the focus in the remainder of this report.

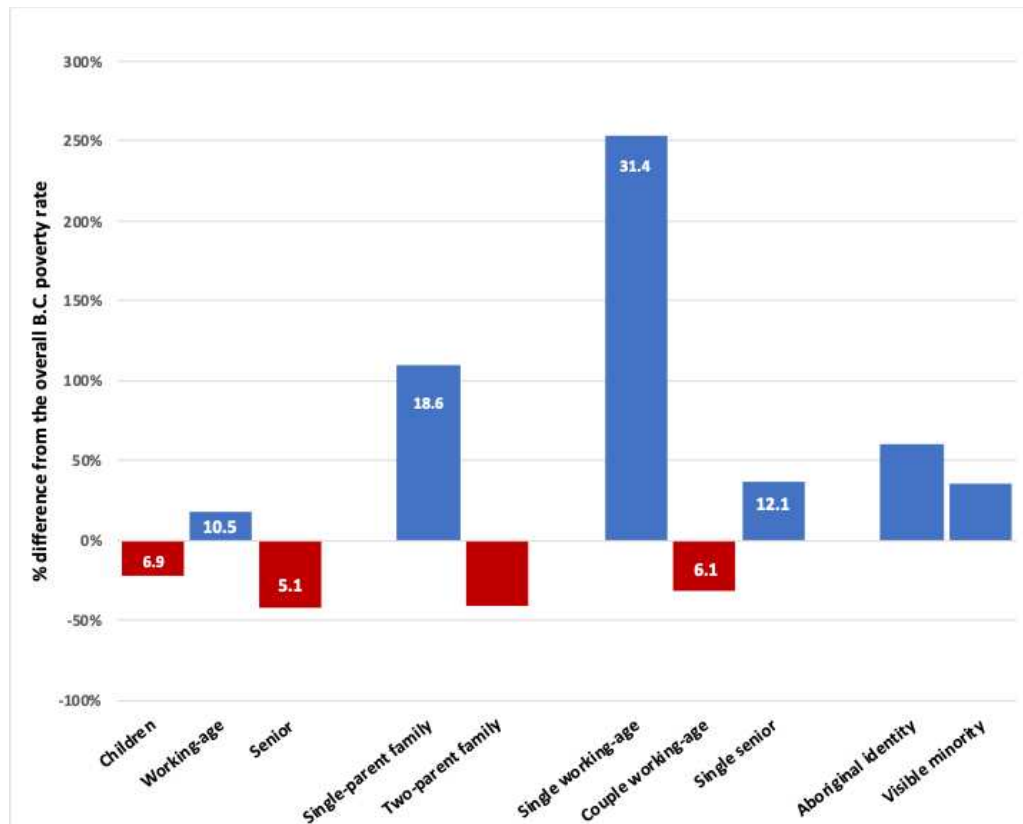
The groups less likely to be in poverty are couples (with and without children), children, and seniors, especially elderly couples. Seniors and children both benefit from basic income-like federal programs that contribute to their relatively low rates of poverty. That



### Part 3: Background

is why when considering basic income design in Part 5 we focus on the working-age population.

*Figure 3-20: Poverty rate comparative summary, B.C., 2017*



Note: Labels on the bars in the graph are MBM poverty rates for the groups. Red bars represent groups with poverty rates below the overall rate, the lower the rate, the larger the bar. The overall B.C. MBM poverty rate in 2017 was 8.9%, represented by the zero line on the graph. For Aboriginal identity and visible minority, the comparison is with LIM-AT rather than MBM poverty rate.

Source: Compiled from earlier figures

An important group that is not covered above is people with disabilities, a group for which Statistics Canada does not provide poverty statistics. This report will also focus more on people with disabilities, an important target group for income assistance, but for whom aggregate poverty statistics are not readily available.



### 3. Fiscal context

Providing income and social support has significant fiscal implications, regardless of whether that refers to maintaining the current system of programs, using a broadly available basic income as the backbone of a reformed system, or finding ways to reform the current system based on basic income and other principles. We have not been asked specifically to explain how our recommendations would be financed, but we have been asked to take fiscal considerations into account in our work.

This section provides general fiscal context, discussing the B.C. government's capacity to fund substantial incremental spending for any purpose. We start by considering the capacity to fund additional spending in the context of B.C.'s long-term fiscal sustainability, and go on to discuss both existing revenue sources, and whether and how they could be used to generate incremental revenue, and potential revenue sources. Finally, we discuss the Canadian fiscal federalism context within which any funding would need to be placed.

This section does not address reducing spending on existing programs as a funding source. Rather, cost savings that either are consequential to making changes to the system—such as introduction of a basic income or reforming current programs—or could be made for the purpose of funding a specific proposal, are discussed in Part 5 for basic income and Part 4 for the existing income and social support system. In addition, because income-tested basic income approaches interact directly with the personal income tax system, combined incentive effects associated with changing the rate structure or eliminating deductions and tax credits are discussed in detail in Part 5.

#### 3.1 B.C. fiscal sustainability and capacity

One way to address a government's capacity to fund significant future incremental spending is to ask what, assuming no major policy changes, the government's fiscal balance would look like in the long term. That is a hypothetical question, of course, since policy decisions are made on an ongoing basis that will affect the future fiscal balance.

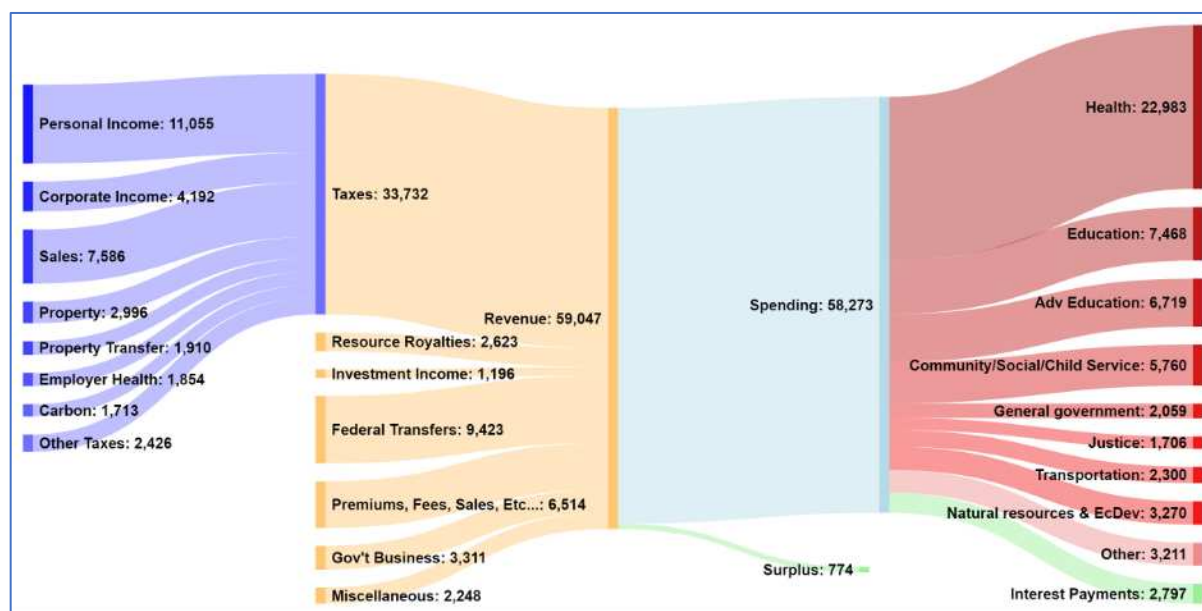
B.C.'s fiscal sustainability has been addressed by Tombe (2020) in a paper commissioned as part the panel's research program and summarized here. Because governments can be expected to continue to exist indefinitely, and because they have the power to tax and to borrow directly on financial markets, future sustainability does not require budgets to be balanced, only that debt service costs can be paid or that debt

### Part 3: Background

does not grow faster than GDP in the long-run. The sustainability question Tombe addresses is whether debt can be serviced in the long run without tax increases or spending cuts—that is, on a status quo basis.

Figure 3-21, excerpted from the paper, is a useful visualization of the starting point, showing the major revenue sources and spending categories for the 2019/20 fiscal year. It is notable that taxes account for over 57% of revenue and that health accounts for over 40% of spending.

*Figure 3-21: Fiscal flows, B.C., 2019/20*



Source: Tombe (2020)

As the figure shows, B.C. had a modest budgetary surplus in 2019/20. The budget has been in surplus since 2013/14. As a result, at the end of 2019/20 B.C. had no debt related to current or previous deficits. However, like all senior governments in Canada, B.C. does have debt used to fund capital spending, which is not included in the surplus/deficit calculation. Capital spending is largely related to government infrastructure projects, such as roads and bridges.

Tombe developed a model that provides long-term forecasts for several revenue sources and spending programs based on their demographic and economic drivers, to ultimately forecast the budgetary balance and capital spending. Together these provide a status quo forecast of net debt and debt service costs over time.

Tombe's conclusion is that, because of an aging population and the likelihood of declining real estate activity, B.C. may face significant fiscal pressures over the medium to long term. If no policy changes were made, the fiscal balance would deteriorate over time, debt would rise, and the resulting debt service costs would create increasing fiscal pressure. The estimated long-term fiscal gap is about 3% of GDP, or about \$7.5 billion annually at present. By comparison, many of the basic income scenarios reported in Part 5, Section 4 (Simulation Results) have costs that are greater than that fiscal gap.

This is not a prediction; it is a hypothetical analysis based on the assumption that there will be no policy changes. Many changes in policy and external events will inevitably result in B.C.'s actual long-term fiscal course differing significantly from this result. However, it does provide compelling evidence that there is no significant available capacity to fund incremental ongoing spending associated with new or reformed programs without reallocating expenditure from other purposes. In fact, ongoing fiscal pressures are likely to induce the B.C. government to increase revenues and/or reduce spending over time. That may make it more difficult to find feasible financing mechanisms for incremental costs above a couple of billion dollars annually.

### **3.2 Financing incremental spending with existing revenue sources**

To finance significant new programs costs, B.C. could increase its reliance on existing revenue sources, seek new sources of revenue, or reduce program spending. Let's first consider existing taxes.

Table 3-1 shows B.C.'s projected revenues from each major provincial source as well as from federal transfers to the province. Total provincial revenues from taxation sources are just over \$35 billion and constitute about 58% of all revenues. Provincial revenues from non-tax sources—such as natural resource royalties, net returns from Crown corporations, other revenues (largely miscellaneous fees), and federal transfers—are less amenable to increases than taxes because of jurisdictional or market factors.<sup>18</sup>

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<sup>18</sup> One exception is that provincial excise taxes on alcoholic beverages are subsumed within the net proceeds from the Liquor Distribution Branch, a Crown corporation.

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*Table 3-1: Revenue sources and capacity to generate revenue using rate increases, B.C., 2020/21*

Revenue source	Revenue (\$ billions)	Current tax rate	Increase \$1 billion		Increase \$5 billion	
			% increase	New rate	% increase	New rate
Taxation (total)	35.3					
Personal income	11.8	5.1–20.5%	8.5	5.5–22.3%	42.5	7.2–29.2%
Sales	7.9	7.0%	12.6	8.3%	63.2	11.4%
Corporate income	4.7	12.0%	21.1	14.6%	105.5	24.7%
Property	3.0	varies	33.0	varies	165.0	varies
Carbon	1.9	\$40/tonne	51.3	\$61/tonne	256.4	\$142/tonne
Employer payroll	1.9	1.95%	51.3	2.95%	260.4	7.03%
Property transfer	1.6	1.0–5.0%	63.1	1.6–8.2%	315.3	4.2–20.8%
Fuel	1.0	varies	98.0	varies		
Tobacco	0.8	\$5.90/20	131.6	\$13.66/20		
Insurance premium	0.7	2.0–4.4%	151.5	5.0–11.1%		
Natural resource revenue	2.2	–				
Other revenue	9.7	–				
Federal transfers	10.0	–				
Crown corporation net	3.4	–				
Total revenue	60.6					

Note: Revenue increases calculated from information on annual revenue and tax rates; all assume no changes in taxable bases due to behavioural responses to higher tax rates.

Source: British Columbia, *Budget and Fiscal Plan: 2020/21–2022/23*

Table 3-1 also displays the rate increases that would be needed to generate an incremental \$1 billion or \$5 billion in annual revenue from each of the tax bases. These calculations assume that the rate increases would not induce behavioural changes that affected the size of the respective tax base.

### **Expanding tax bases**

In general, taxes can be adjusted to increase revenues by increasing their rates or expanding their bases. However, B.C. is constrained in its ability to make major reforms to the bases of the four largest sources of tax revenue shown in the table—personal income tax, corporate income tax, provincial sales tax (PST), and property tax—which account for more than two-thirds of the total.

For personal income tax and corporate income tax, the province is bound under the terms of an agreement with the federal government, the Tax Collection Agreement, to a common national definition of taxable income, which is the tax base. The tax base includes the sources of revenue and the deductions from that revenue that are used to calculate taxable income. To reform those bases would entail the province launching its own provincial income tax system and administration, which is unlikely to appeal to voters, business, or the government. Within the Tax Collection Agreement, though, B.C. has discretion to set rates and, within certain limits, establish and change provincial refundable and non-refundable tax credits. In effect, any “deductions” that a province would like to implement beyond those in the federal tax must be done in the form of a non-refundable tax credit.

B.C. does have statutory discretion over the PST base, as it is not harmonized with the federal GST. The largest exclusions from the PST base, and thus potential enhancements to it, are food, meals away from home, and many services. However, any significant increase in the PST base would be problematic for two reasons.

First, B.C. implemented an HST in 2010, which had the effect of broadening the tax base to include restaurant meals and most services. Strong public opposition focused on the newly taxed goods and services, forcing the reversal of that policy. B.C. returned to the PST in 2013. This history makes the prospect of increasing the tax base either within the PST or by once again moving to an HST likely to be unacceptable to the general public.

Second, the shift back to the PST reinstated burdens on business capital and intermediate inputs, which hinder the province’s economic competitiveness. Only a limited portion of those sales tax burdens on business are relieved through explicit PST

## Part 3: Background

exemption provisions. Raising the PST rate without providing additional exemptions for business would harm the competitive position of provincial businesses, particularly in the resource sectors. Thus, the potential for generating large additional revenues from raising the PST rate would be limited in practice.

The other major source of tax revenue is property tax, but again there is little or no scope for changing the base of the tax. B.C. has a comprehensive property tax base with no major exclusions and a long tradition of independent market value-based property assessment. Although the property tax base is fully within provincial control, there is no practical base increase that could be implemented.

There is, however, an offsetting exemption to property tax payable for owner-occupiers of principal residences in B.C., known as the Home Owner Grant. The grant reduces taxes by a basic amount of \$570 per eligible home in major urban areas and more elsewhere. Seniors, veterans, persons with disabilities, and persons living with someone with disabilities get additional tax relief. The grant is reduced for homes above a threshold value of \$1,535,000. The cost of the grant in *Budget 2020* is \$817 million, which is accounted for as a reduction to property tax revenue.

Although the Home Owner Grant is popular with residential homeowners, it has been criticized as a significant tax expenditure that does not fulfill a clear public policy objective (Tedds et al. 2018). In addition, the grant is not targeted in any systematic way on need, and it excludes renters with their typically greater housing affordability barriers. It is one potential mechanism to fund part of the cost of a basic income or alternative program reforms.

Similar constraints limit the province's ability to expand the bases of its smaller taxation revenue sources. That leaves two potential levers that could be used to increase revenue from existing taxes to fund a basic income: tax rates for personal income tax, corporate income tax, PST, and property tax; and the elimination of provincial personal income tax refundable and non-refundable tax credits.

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*Table 3-2: Interprovincial comparison of tax rates, 2020*

Tax	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland and Labrador
<b>Corporate income tax (per cent of taxable income)</b>										
General rate	12	10	12	12	11.5	11.5	14	16	16	15
Small business rate	2	2	2	0	3.2	5	2.5	3	3	3
Small business threshold (\$000s)	500	500	600	500	500	500	500	500	500	500
Corporation capital tax (per cent)	Nil	Nil	0.7/4	6	Nil	1.25	4/5	4	5	6
Payroll tax (per cent)	1.95	Nil	Nil	2.15	1.95	4.26	Nil	Nil	Nil	2
Insurance premium tax (per cent)	2 to 7	3/4	3/4	2 to 4.25	2 to 3.5	3.48	2/3	3/4	3.75/4	5
<b>Fuel tax (cents per litre)</b>										
Gasoline	23.39	17.42	19.42	18.42	27.3	29.6	30.2	25.3	24	31.5
Diesel	25.23	18.37	20.37	19.37	28.7	31.7	38.7	26	32.8	33.9
Sales tax (per cent)	7	Nil	6	7	8	9.975	10	10	10	10
Tobacco tax (\$ per 200 cigarettes)	59	55	61.34	68.99	45.38	29.8	62.98	67.38	61.84	60.74

Source: B.C. *Budget 2020*, Table A2, p. 125

### Increasing tax rates

While B.C. has the authority to raise rates on its major taxes to increase revenues, in practice there are also limitations in how much can be raised. In part, those limitations depend on the tax structure of other provinces. Tables 3-2 and 3-3 provide interprovincial comparisons of 2020 tax rates for various provincial taxes and personal income tax, respectively.

Corporate income tax rates are relatively similar across Canada. At 12%, B.C. is consistent with the 11.5% and 12% rates found in provinces from Quebec west, except Alberta which dropped its rate to 8% effective July 1, 2020. The more easterly provinces have higher rates. The corporate income tax rate is important for tax competitiveness reasons, and increases are likely to harm business and reduce taxable income allocated to the province.

Corporation capital tax currently applies in four provinces, not including B.C. In the past, B.C. has levied corporation capital tax on the major banks only, and it has the capacity to do so again. The potential revenue from B.C. reinstituting a corporation capital tax is limited and would need to be weighed against the possible adverse effects on business activity in the province.

In 2019 B.C. levied a payroll tax for the first time to replace MSP premium income, consistent with the approach taken and rate chosen in Ontario when OHIP premiums were eliminated previously. B.C. joined the minority of other provinces that levy an employer payroll tax, and it initiated the tax at a rate on par with the lowest elsewhere in the country.



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Property transfer tax was increased by B.C. in 2018 to a top rate of 5% for residences sold over \$3 million; that rate matches the highest elsewhere in the country, for the combined Ontario and Toronto land transfer taxes. Any additional revenues from the property transfer tax would likely need to tap home sales at lower values rather than applying higher rates at the top end. The tax applied to foreign purchasers of residences was increased to a rate of 20% in 2018.

The insurance premium tax base is harmonized across the country, with B.C. rates roughly in line with other provinces.

Fuel tax rates include both motor fuel taxes and carbon tax rates that apply to gasoline and diesel, but do not include fuel taxes dedicated to regional transit (12.5 cents per litre in Metro Vancouver and 5.5 cents on southern Vancouver Island). Rates in B.C. are higher than the rates in other western provinces but lower than the rates from Ontario east; including Metro Vancouver transit taxes makes them the highest in Canada.

*Table 3-3: Interprovincial comparison of personal income tax*

Taxable income	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland and Labrador
Annual provincial taxes payable (\$)										
\$10,000	0	0	0	0	0	0	0	0	0	0
\$20,000	0	0	289	941	0	97	208	595	614	0
\$30,000	708	877	1,267	1,976	326	1,367	1,410	1,515	1,777	1,621
\$40,000	1,341	1,808	2,246	3,111	1,797	2,718	2,612	3,003	3,011	2,552
\$50,000	2,031	2,740	3,319	4,312	2,633	4,373	3,854	4,491	4,324	3,943
\$60,000	2,774	3,688	4,514	5,531	3,522	6,048	5,285	6,007	5,653	5,347
\$70,000	3,544	4,688	5,764	6,806	4,437	7,710	6,767	7,727	7,208	6,797
\$80,000	4,314	5,688	7,014	8,445	5,502	9,372	8,249	9,420	8,878	8,301
\$100,000	6,393	7,688	9,514	11,925	8,155	13,058	11,438	12,812	12,218	11,461
\$125,000	9,674	10,188	12,639	16,275	12,508	18,256	15,568	17,187	16,782	15,411
\$150,000	13,349	13,063	16,180	20,625	16,860	23,621	19,815	21,562	21,374	19,580
Provincial personal income taxes as a per cent of taxable income (%)										
\$10,000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
\$20,000	0.0	0.0	1.4	4.7	0.0	0.5	1.0	3.0	3.1	0.0
\$30,000	2.4	2.9	4.2	6.6	1.1	4.6	4.7	5.1	5.9	5.4
\$40,000	3.4	4.5	5.6	7.8	4.5	6.8	6.5	7.5	7.5	6.4
\$50,000	4.1	5.5	6.6	8.6	5.3	8.7	7.7	9.0	8.6	7.9
\$60,000	4.6	6.1	7.5	9.2	5.9	10.1	8.8	10.0	9.4	8.9
\$70,000	5.1	6.7	8.2	9.7	6.3	11.0	9.7	11.0	10.3	9.7
\$80,000	5.4	7.1	8.8	10.6	6.9	11.7	10.3	11.8	11.1	10.4
\$100,000	6.4	7.7	9.5	11.9	8.2	13.1	11.4	12.8	12.2	11.5
\$125,000	7.7	8.2	10.1	13.0	10.0	14.6	12.5	13.7	13.4	12.3
\$150,000	8.9	8.7	10.8	13.8	11.2	15.7	13.2	14.4	14.2	13.1

Note: Taxes payable calculated for a single individual with wage income and claiming credits for Canada Pension Plan and Quebec Pension Plan contributions, Employment Insurance premiums, Quebec Parental Insurance Plan



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premiums and the basic personal amount. Includes provincial low-income reductions, surtaxes payable in Ontario and Prince Edward Island, and the Ontario Health Premium tax. Excludes credits for sales and property tax credits. Source: *Budget 2020*, Table A4, p. 128

At 7%, B.C.'s PST rate is at the lower end for those provinces that impose a sales tax (Alberta being the exception). However, provinces from Ontario east impose a harmonized sales tax that is administered along with the GST by the federal government and, as discussed earlier, provides credits to businesses for tax paid on inputs. Significant PST rate increases would adversely affect B.C.'s economic competitiveness compared with HST provinces and international jurisdictions, assuming a value-added tax or something similar is not possible.

B.C.'s employer payroll tax—called the employer “health” tax—is estimated to yield \$1.924 billion in the current fiscal year. It has the potential to generate more revenue if the current 1.95% rate were increased; Quebec's rate on a tax of this kind is 4.26%. Any increase in B.C.'s recently introduced tax would initially affect businesses and jobs adversely, but over several years the burden of an employer payroll tax shifts to employees through lower compensation (Kesselman, 1997).

B.C.'s tobacco tax is in the middle of the pack compared with other provinces. Cross-border and inter-provincial smuggling have been concerns in the past when a province's tax rate is very high relative to neighbouring jurisdictions. This issue explains the relatively low tobacco tax rates in Ontario and Quebec, where cross-border smuggling via Indian reserves has been a problem. The adverse distributional impacts of higher tobacco taxes may also be a concern when considering higher tax rates, even though health benefits of reducing smoking might be paramount.

As noted, the largest tax source in B.C. is personal income tax. As Table 3-3 shows, B.C. has close to the lowest average personal income tax rates in Canada at every income level up to \$150,000, at which point the average provincial tax paid is slightly lower. Based on this comparison, personal income tax might seem to be one of the more available sources of incremental funding from the current suite of taxation. However, B.C. increased its top bracket rate to 20.5% in 2020;<sup>19</sup> this brings it on par with the highest rates in other provinces, thus affecting the potential for further increases at the top end. The interactions between personal income tax and a basic income (discussed in detail in Part 5) raise some additional practical considerations

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<sup>19</sup> This rate applies to taxable incomes above \$220,000, an amount above those shown in Table 3-3.

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related to personal income tax, depending on the structure of the specific basic income being funded.

It is useful to consider how combinations of tax increases might be used to generate given amounts of incremental funding to implement a basic income or other program reforms. Note that any significant policy change is likely to affect existing programs in some way and impose both new costs and cost savings arising from consequential changes. The examples focus on “net budgetary costs,” which is the impact of changes on the annual surplus or deficit.

First, consider a scenario where the program changes would generate a net budgetary cost of \$8 billion, with the requisite revenue split evenly between increased personal income tax and increased PST, with each providing an additional \$4 billion. That situation yields a top personal tax rate of 27.5%<sup>20</sup> and sales tax rate of 10.5%. Each of those rates would then be the highest in the country. Moreover, because raising tax rates causes taxpayers to change behaviour to reduce the amount of tax paid, an even higher rate would be needed in practice to generate the required income (Milligan & Smart, 2016). It may not even be possible to generate more revenue above certain high tax rates, particularly with respect to personal income tax applied to the highest income levels. No doubt both the personal income tax and PST rate increases would create significant opposition, based on previous attempts to increase tax rates, and in addition to the disincentives to work and other productive activities from the personal income tax increase, the PST increase would reduce business competitiveness.

For the second example, consider the budgetary cost of about \$15 billion that would be associated with a basic income with more ambitious poverty reduction targets. For this example, the revenues are assumed to be garnered from increases in the top six tax revenue sources, as shown in Table 3-4.

All the requisite tax increases would pose major challenges for the provincial economy’s competitiveness, not to mention public acceptance. Moreover, as mentioned above, rate increases of this magnitude would likely evoke behavioural responses that would undercut the projected revenue increases. These examples may seem extreme, but as will be seen in Part 5, Section 4 (Simulation Results), net budgetary costs of billions of dollars result from several of the scenarios, particularly those intended to significantly reduce the poverty rate.

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<sup>20</sup> For simplicity in these two examples, the tax rate for each tax bracket is increased proportionally and the tax brackets are not adjusted.

*Table 3-4: Example 2—additional revenue and resulting rate adjustments*

<b>Tax</b>	<b>Additional revenue</b>	<b>Rate adjustment</b>
Personal income tax	\$5 billion	Top rate increased to 29.2%
PST	\$5 billion	New rate 11.4%
Corporate income tax	\$2 billion	New general rate 17.1%
Property tax	\$1 billion	33% rate increase
Carbon tax	\$1 billion	New rate \$60.50/tonne
Employer payroll	\$1 billion	New rate 2.95%
Total	\$15 billion	

### 3.3 Potential new revenue sources

B.C. currently makes use of almost all of the types of taxation sources commonly used by provincial governments. The only notable exception is the corporation capital tax. Because provincial corporation capital taxes are deductible from corporate income tax owing, the corporation capital tax ensured that tax would be paid in years with little or no corporate income tax owing, essentially constituting a type of minimum corporate income tax. B.C. had corporation capital tax from 1973 to 2008, sometimes applying to all corporations with capital greater than a threshold level and more often applying only to the major banks. Reinstating a corporation capital tax would likely yield limited additional revenues

If B.C. were to consider new taxation sources, the usual prescription suggested by economists is to tax economic rents or negative externalities. “Economic rents” refers to profits earned in excess of what could be earned in a perfect market. Examples of economic rents are excess profits earned by monopolies and excess profits earned from the harvest or extraction of natural resources. Especially relevant in the case of Vancouver, restrictions on the availability and use of land can generate excess profits for landowners, including homeowners, as has been the case for at least 45 years.

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Another source of economic rents, one directly related to arguments in support of basic income, is rents generated by technological innovations. Technologies that disrupt markets can create market power for the firms that create monopolistic rents, which is the case for some of the current tech giants. More directly related to basic income is the belief that emerging technologies, especially artificial intelligence, will reduce the demand for labour and wages as machines eventually take over much of what human workers do. That would have the effect of creating rents for the owners of the intellectual property and the capital that replaces workers. There are three questions here: is technology changing the nature of work? (discussed in Section 4 (Labour Market Trends)); is a basic income the best approach to reallocate these or other rents? (discussed in Part 5); and could B.C., as a small jurisdiction, capture such rents?

The reason why economic rents are often recommended as a target for taxation is that, because the rents arise not from the production of goods and services but rather as the result of an external characteristic like naturally occurring resources, land, or market structure, taxing them does not distort the price signals used by markets. That is, taxing rents is economically efficient, capturing the excess value for the benefit of society without affecting economic signals.

Negative externalities occur when economic activities cause general harms, such as pollution. Using taxation to put a price on the damage done has the effect of using markets effectively, by creating an incentive to do less harm and to innovate to reduce costs. Taxing negative externalities can both make society better off and generate revenue that can be used for other purposes in the public interest. Examples are the carbon tax; sin taxes on tobacco, alcohol, and sugary drinks; and polluter-pay user fees.

One downside from the perspective of sustainably raising revenue to fund new spending of taxes intended to incentivize certain behaviours is that they are designed to reduce and eventually eliminate the harmful activity they tax. The prime example is the effect of carbon tax on greenhouse gas emissions. As a result, revenues may decrease over time, especially at relatively high tax rates.

The most relevant target for taxation of economic rent in B.C. is rents associated with land values. Examples of rent taxation that could be considered are:

- a provincial tax on capital gains realized on the sale of principal residences in B.C.—this form of economic rent is explicitly exempted from the federal income tax, leaving it open to B.C. to capture revenues through an appropriately designed levy that combines equity with simplicity (see Kesselman, 2017)

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- capturing excess profits associated with changes in zoning and major redevelopment of land that created added wealth for no reason other than owning land in a particular location—major provincial infrastructure projects, such as transit infrastructure that results in increased density along new routes, especially near stations, is an example
- a sovereign wealth fund based on extracting economic rents from tech firms to accumulate returns from innovation, perhaps by taking an enforced ownership share in tech and other firms in lieu of a corporate tax increase, building public wealth over the long term – though there is likely limited feasibility of this as a revenue source for a small jurisdiction such as B.C.

### 3.4 Conclusion

Any significant enhancement to the income and social supports available in B.C. will mean that spending will rise, in the form of budgeted costs or tax expenditures or both. As will become clear in Parts 5 and 6 of this report, that is true whether those enhancements are in the form of a widely applicable basic income or reforms to the current system, the only difference being the scale of those added costs.

Our review of B.C.'s long term fiscal sustainability suggests that while B.C.'s fiscal situation pre-COVID-19 was relatively strong, demographic trends are expected to exert significant pressure on the provincial government in coming years. That means that under the status quo, there is little or no available capacity to increase expenditure without making additional fiscal adjustments, at least in the long run. COVID-19 has clearly added significantly to B.C.'s future fiscal pressures, reinforcing that conclusion.

There is also no easy way to increase net revenues very substantially, either by reallocating current spending in other areas or increasing revenues from existing sources. Detailed design of new revenue sources for B.C. lies beyond the panel's scope. The government would need to address economic and technical issues as well as political and public support if they choose to proceed with any of the new revenue options we have identified. Attempts to increase the rates or coverage of existing taxes in B.C. would face similar challenges. In short, raising the additional revenues needed to finance an ambitious basic income or a significant increase in other income and social support programs would require careful consideration and consultation.

## 4. Labour market trends

This section is an abridged version of *Trends in the Labour Market and Their Implications for a Basic Income* (Green, 2020d), a paper written as part of the panel's research program. It provides context about labour market trends, which is important for this report for two reasons.

First, one of the claims made for basic incomes by some advocates—and sometimes the most important objective or rationale put forward—is that basic income is the best policy response to technology-driven labour market disruptions. Exploring labour market trends gives us important background about the nature and extent of these labour market disruptions in Canada and B.C. to date. The first question is whether current trends suggest that the end of work, or at least significant disruptions consistent with reduced labour demand, is imminent.

Second, there are more general concerns regarding the labour market and the role the labour market plays in a just society. That includes the impact of income and social support policies on labour supply, a concern that applies equally to basic income and more traditional policy approaches. It also includes questions about whether interventions in the labour market are needed to address characteristics that are inconsistent with our goal of moving to a more just society. So, the second question is whether changes in work trends indicate that there are issues in the job market that warrant addressing.

These questions are addressed below by examining:

- precarious work, to determine whether it is on the rise in Canada and B.C., differentiating between standard and non-standard work, and exploring trends in categories of non-standard work
- how standard jobs are changing
- the protection against adverse events provided by Employment Insurance
- whether the labour share of income is changing
- what economic theory says about the possible outcomes of significant technological innovation

#### 4.1 Is precarious work on the rise?

Precarious work has come to be associated with the “gig” economy, where technological change is expanding the importance of firms like Uber in the way work is found and performed. There are two key elements of gig work:

- It is alternative work in the sense that it is not a standard full-time, permanent relationship with a single employer; it is to some degree temporary in terms of the work and the employer connection, like individual gigs performed by musicians and actors.
- It is connected with technology, either directly through online platforms or related to other IT innovations—where “gig” is short for “gigabyte.”

There is also alternative work that exists for reasons that are unrelated to technological change. The appropriate policy response will depend in part on the extent to which the recent gig work phenomenon represents a fundamental change in the labour market or is a continuation of existing trends. Overstating the connection with technological change has the potential to be misleading in terms of both appropriate policy responses and predictions of future trends. It seems better, therefore, to examine levels and trends in alternative (non-standard) work arrangements separately from estimates of the number of workers who connect with work through online platforms.

We use Labour Force Survey data to analyze trends, using definitions provided by Vosko et al. (2003). We first examine movements in the opposite of alternative work arrangements, standard work. Since different modes of alternative work sometimes overlap, looking at standard work provides a way of identifying overall trends without double-counting subcomponents of non-standard work. After that, we analyze several alternative work arrangements, including:

- Own-account self-employment
- part-time work
- temporary and contract work

For each we consider its level and trend, and its connection with technological change and with basic income arguments.

We also consider how the characteristics of standard work have changed and types of work that might not be captured in the Labour Force Survey measures, such as

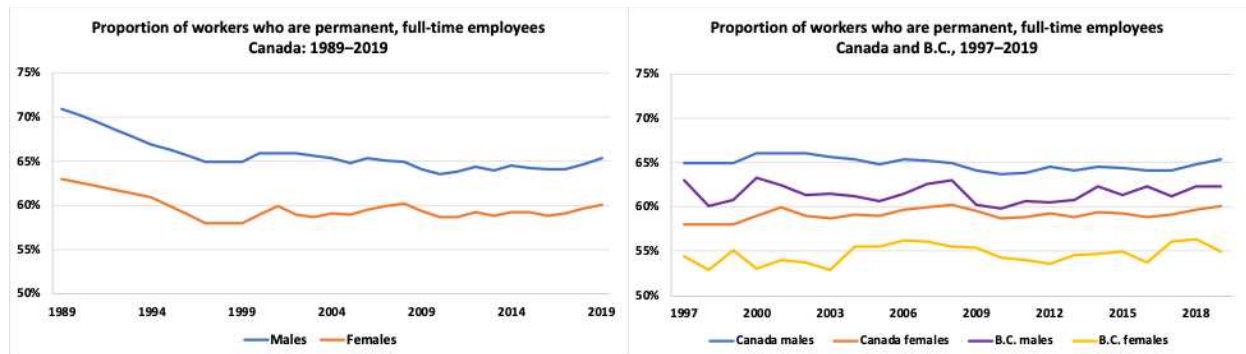
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supplementary work and outsourcing, before moving on to a discussion of work that is done in direct relation to online platforms.

### Changes in standard work

Figure 3-22 includes two panels on the trends in standard jobs in Canada and B.C. It gives rise to four main conclusions.

*Figure 3-22: Proportion of workers in standard jobs*



First, there has been a long-term decline in permanent, full-time stable employment, but it occurred in the early 1990s and the rate has been essentially flat for the past 20 years. Second, proportionally more males than females are found in standard jobs, consistent with well-known conclusions that women experience more precarious work patterns. Third, the levels of standard jobs for both sexes in Canada are relatively high, at over 60%. Finally, the B.C. trends are similar, although noticeably lower.

Based on these graphs, one would not conclude that precarious work is taking over the Canadian labour market. “Standard” jobs that are full time and permanent remain the norm. At the same time, a considerable proportion work in arrangements that are not standard and have some feature that could reflect instability. That suggests non-standard work is an important element of the labour market and we should be concerned about whether our public policies related to the labour market are so focused on standard jobs that they do not serve this sizable segment well. Certainly, the question of why women experience less stable work should be of central policy concern. But these issues are important not because there is clear evidence that precarity is taking over but because the persistent levels are concerning.

### Trends in categories of non-standard work

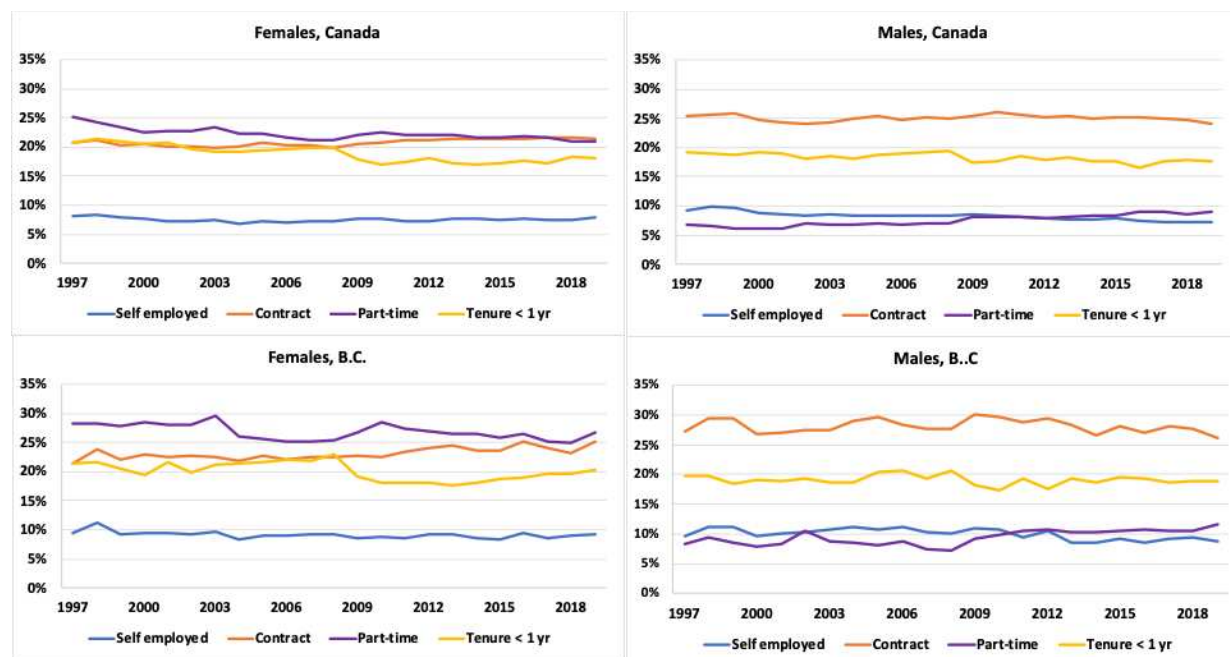
While the overall preponderance of unstable work has not changed dramatically for Canada or B.C. in the last two decades, it is possible that this reflects offsetting



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movements in different types of precarious work. Figure 3-23 includes four panels that set out the proportions of employed females and males in Canada and B.C., respectively, in four types of unstable, non-standard jobs: self-employed, contract, part time, and short term (less than one year). There is substantial overlap across these categories, so they sum to more than the proportion of employees not in standard jobs, as shown in the previous figure.

*Figure 3-23: Measures of unstable employment, 1997–2019*



It is notable that none of the four series in each graph show any significant increase, reinforcing the earlier conclusions. It is unsurprising that the proportion of females in part-time work is significantly higher than for males, and that the proportion of males in contract employment is higher than for females. The proportions in unstable work are higher in B.C. than in Canada for all measures for both sexes, but the trends are very similar to those at the national level. The only exception is a small upward trend in the proportion of contract work for females in B.C. that is not present for the country as a whole.

### Own-account self-employment

Own-account self-employment is at the centre of much of the discussion of the gig economy. In the absence of more direct measures of whether people are working gig jobs (i.e., project-based and potentially with an online component), some authors have

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pointed to own-account self-employment as a possible marker for trends toward those jobs.

The proportion of workers who are own-account self-employed has declined slightly in the last two decades for both sexes and for Canada as a whole, as well as for B.C.

In the United States, there is some discrepancy in measures of own-account self-employment, depending on whether authors use the Current Population Survey, roughly equivalent to the Canadian Labour Force Survey, or tax data, with the Current Population Survey showing a decline and tax data showing an increase. The discrepancy points to technical issues that make the U.S. numbers difficult to interpret and use effectively for answering questions about the changing nature of work in general and increase of the gig economy in particular. The same issues do not apply to the Canadian data.

In an attempt to narrow the focus on gig workers, Jeon et al. (2019) restrict attention to the unincorporated self-employed without a Canada Revenue Agency Business Number (their definition of a gig worker), which shows an increase from 5.5% of workers in 2005 to 8.1% in 2016. That increase comes in two steps: one at the time of the 2008/09 recession and a second between 2012 and 2014. The second of these might be associated with the arrival of gig firms like Uber in Canada, but it is worth noting that the trend follows a flattening, not a steepening, line after 2012. It is also worth noting that the own-account self-employed no-Business Number share was already at 5.5% in 2005, well before any of the gig platforms were affecting work in Canada. Thus, the level of this measure faces the same issues as other measures of non-standard work: considerable non-standard work has existed in Canada for a long time, and labelling it as gig work could be misleading, giving the impression of more technologically induced change in work than has actually occurred.

Overall, there is some very limited evidence of an increase in self-employment that might be related to the impact of technology on the workforce. In general, the rate of self-employment has been in a gradual decline in the last 20 years, especially for workers younger than retirement age. (For males in B.C. aged 25–54, the self-employment rate fell by over 3 percentage points, or about 25%, between the late 1990s and 2019.) There is thus no evidence that the gig economy is taking over.

The self-employment rate relates to arguments in favour of a basic income in two ways. First, it is a major marker of precarity linked with claims that precarity is increasing due to expansion of the gig economy. The figures here do not, on the whole, fit with those claims. Second, one argument in favour of a basic income is that it would support

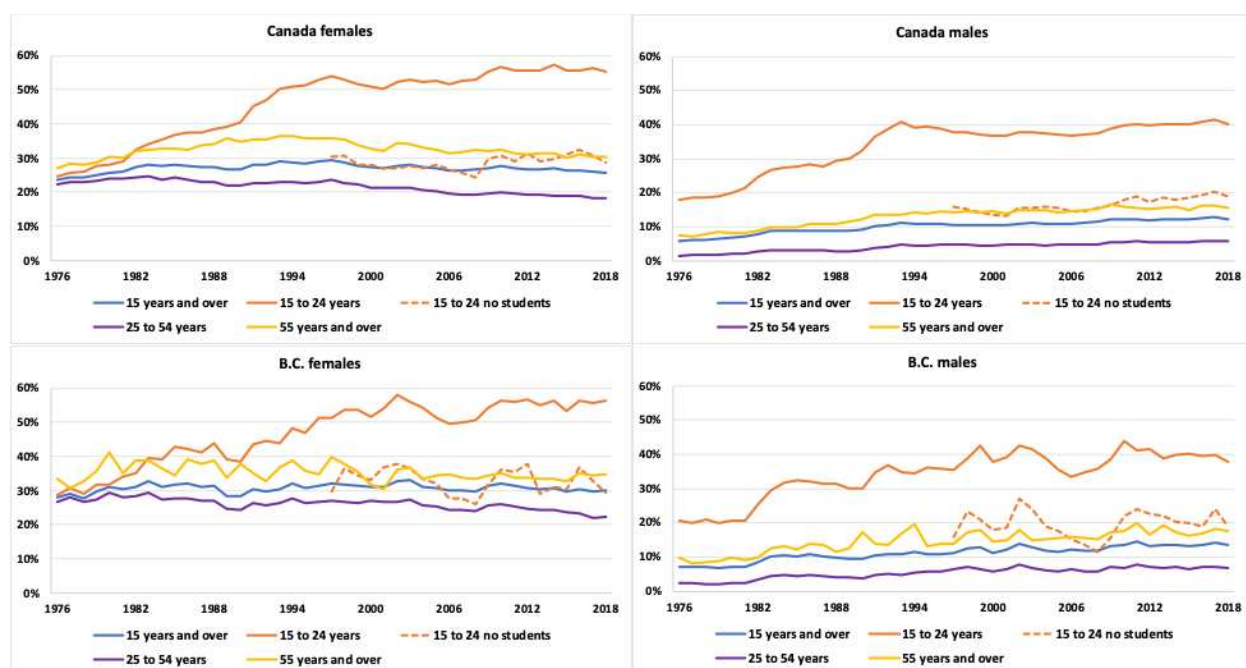
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entrepreneurship, providing a base from which to pursue new business ideas. Own-account self-employment, which involves firms that rarely have employees and are often very low-earning, does not fit with this idea of entrepreneurship. It typically looks more like an employment state of last resort than a launch pad for innovation.

### Part time

The four panels in Figure 3-24 present the proportion of employees who work part time (i.e., less than 30 hours per week), broken down by age group for females and males and for Canada and B.C. separately.

*Figure 3-24: Proportion of part-time workers by sex and age group, Canada and B.C., 1976–2018*



The patterns are substantially different for females and males. For female employees in Canada, the line for everyone aged 15 and over shows an increase between 1976 and 1996, but this is fully offset by a gradual decline in the rate over the following 20 years. Part of this pattern reflects composition shifts as the baby boom moves through the age structure. As one can see by comparing the line for those aged 55 and over to the line for those aged 25–54, the proportion working part time is approximately 10 percentage points higher among the older group. This likely reflects a role for part-time work during the retirement process and afterwards. The baby boom moves into the 55+ age group in the later years of our sample, pulling the overall trend line upward.

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Holding age constant by looking at the 25–54 age group on its own indicates that the part-time rate for Canadian females in their main working years has shown a steady decline in the last 30 years. In contrast, there is a very substantial rise in the part-time rate for 15–24-year-olds between 1976 and about 1996, shown in the top line in the graph. But when we separate out 15–24-year-olds who are not students (data available only after 1996), the proportion in part-time employment is very similar to the average for all age groups aged 15 and over. That suggests part-time employment is important for those in high school and post-secondary education and increases in post-secondary enrolment explain some of the sharp increase in part-time work for the 15–24 age group from 1976 to 1996. However, the timing is not quite coincident, as the rise in enrolment started after the rate began to rise and continues to the present, suggesting there are other reasons as well.

In contrast to females, the increase in the first two decades of the period was not offset by later declines and, in fact, increases at about the time of the 2008 recession were not reversed. As a result, the proportion of male employees who were working part time increased from approximately 6% in 1976 to 12% in 2018. This is the only series in the list of non-standard work categories that showed a material increase for either sex.

The fact that the lion's share of the increase happened before the mid-1990s does not fit with the increase being technology-driven. Rather it fits with a pattern that we will see re-emerge when we examine employment rates, inequality, and the labour share of GDP later—a pattern in which there were substantial changes for the worse in these measures prior to 2000 (and especially in the weak labour markets of the 1990s) that have not been reversed by successive labour market policies and strong labour markets in the 2000s. In that sense, the concerns in the labour market appear to be more deeply structural and long-lasting rather than reflections of very recent technological changes.

The patterns for females are similar to those for Canada as a whole, although the Canadian overall initial increase and then gradual decrease pattern is not evident. The overall rate remains flat for B.C. males and the pattern is also similar to the one observed at the national level.

For part-time paid work, the basic income claim is that people would be able to afford to cut back on regular paid employment hours in order to spend more time in caregiving and community building. However, just like own-account self-employment, part-time employment is a precarious work state for many people that we hope would be reduced. This relates to whether the part-time work status is voluntary—a personal choice that

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could be enhanced by a basic income—or involuntary, because workers can't find the full-time jobs they want.

*Figure 3-25: Proportion of workers in involuntary part-time work, Canada and B.C., 1997–2018*

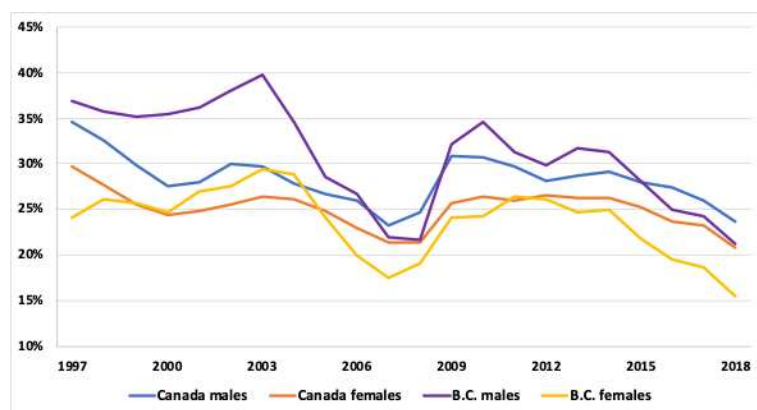


Figure 3-25 shows the proportion of involuntary part-time workers. Males generally tend to have higher involuntary rates than females, which could reflect issues with gender roles in taking on family responsibilities. In terms of time patterns, the series show a substantial increase in

involuntary part-time work at the time of the last recession for both sexes and for Canada as a whole and B.C. in particular. But all of the series also show declining trends both before and after the recession. Thus, here too, there is no indication of a move toward more precarious work imposed on workers by changes in firm demand in the last two decades.

### Temporary and contract work

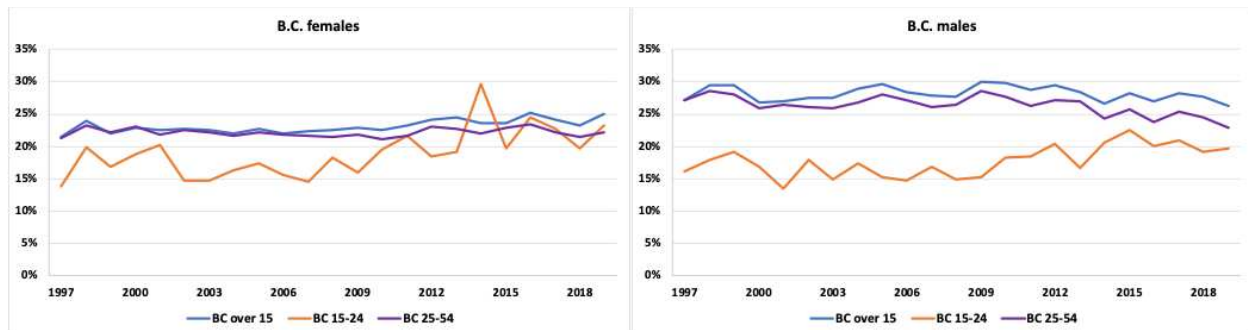
Temporary and contract job work, like self-employment, is often described as being directly related to the gig economy. Indeed, short-term work is the definition of a “gig” job, with a claim that new technologies that make it easier to post and find jobs online will allow firms to break work down into tasks that are distributed to workers on a contract basis. As with the other categories we have discussed, temporary and contract jobs have elements that are potentially both positive and negative. Temporary jobs might be seen either as stepping-stones to better permanent jobs—opportunities to make connections and build experience—or as screening devices allowing more efficient matches between workers and jobs. On the other side, these jobs could be stigmatizing work of last resort and/or reflect lower-quality or lower-paid work arrangements for workers who end up in them.

Fuller and Stecy-Hildebrandt (2015) follow labour market trajectories for workers who start in a temporary job in seven main groups. Moving into permanent, full-time employment is the trajectory for 39% of temporary workers, but the rest follow patterns with some amount of instability, part-time, or self-employment status. Temporary jobs

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are not stepping-stones for the majority of workers, although young workers do better from this perspective. Starting in a temporary job is also associated with an ongoing earnings penalty. Thus, on balance, temporary jobs can have some features of being a stepping-stone to permanent jobs for younger workers, but for many workers they are accurately characterized as a precarious labour market state.

*Figure 3-26: Proportion of non-student workers in temporary and contract jobs, B.C., 1997–2019*



The two panels in Figure 3-26 show the proportion of B.C. workers who are in temporary or contract jobs for various age groups for females and males, respectively.<sup>21</sup> While the overall trend is flat for females and slightly down for males, there is an upward trend for the 15–24 age group.

Fuller and Stecy-Hildebrandt (2015) point out that Canada has contract and temporary job rates that are near the OECD average and approximately double those in the United Kingdom and triple those in the United States. They argue that this could arise because stronger dismissal-related regulations and stronger unions in Canada imply higher costs of turnover from permanent contracts, which may push employers toward using more temporary contracts in Canada (and Europe) than the United States. Canada also has the weakest regulations related to temporary contracts, with no explicit requirements that temporary employees be treated similarly to permanent employees and no limits on the number of successive temporary contracts that can be given to a particular employee, for example. While Canada is a strong candidate to become a jurisdiction in which new technologies induce a move toward this job form, there is little evidence this has happened as yet in B.C. or the rest of Canada.

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<sup>21</sup> Seasonal work is also sometimes included in this category. This has purposely been left out in order to focus on jobs that are more likely to be associated with new technologies.

### Summary

There is limited evidence of a shift toward more precarious work patterns in the last two decades in Canada or B.C., although there is some evidence of an increase in temporary and contract work since about 2010 for 15–24-year-old non-student workers. While worth watching, this is far from evidence of a substantial shift toward precarity in the labour market.

However, a longer-term perspective suggests a different take. Both the proportion of workers in full-time, permanent jobs and the proportion in part-time jobs show substantial shifts in the 1980s and first part of the 1990s toward more precarity in work, which has persisted. It has not continued to worsen but neither has it reversed. If there is a case for a basic income to be found in labour market data, it is not based on recent trends toward more precarious work but rather on structural shifts that occurred over two decades ago.

### 4.2 Standard job characteristics

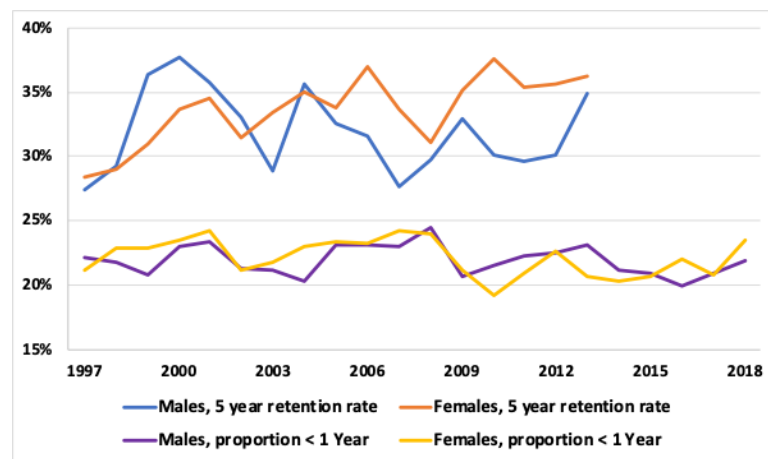
A standard job is commonly conceived as one that is permanent (i.e., its end date is not specified at the outset of the job) and full-time. It is also often viewed as being a good job with benefits and methods to enforce worker rights. Precarious work is considered to have less stability, less control over the work, lower pay, and few or no benefits. Even though there is no evidence of recent increases in precarity, it is possible that the quality of those permanent full-time jobs has been deteriorating. This section explores that issue.

The best evidence on job stability in Canada is found in Brochu (2013), which focuses on the one-year retention rate—the probability that a job in a particular month will still exist one year later. This retention rate rose in both the early 1980s and the early 1990s recessions but has been flat at a historically high rate from the mid-1990s through the end of Brochu’s data sample in 2010. Far from moving toward being more unstable, jobs became more stable in the 1990s in Canada and stayed that way at least through 2010. Figure 3-27 extends that work using a five-year retention rate.



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*Figure 3-27: Retention rates for permanent jobs, ages 25–34, Canada, 1997–2018*



The five-year retention rates refers to jobs lasting for at least five years from time of hiring; since the series end in 2013, they reflect data to 2018. About a third of jobs described as permanent last at least five years, the rates are similar for men and women, and the trends for both sexes are quite flat. Extending Brochu's series

shows that the lack of movement in job stability continues to hold.

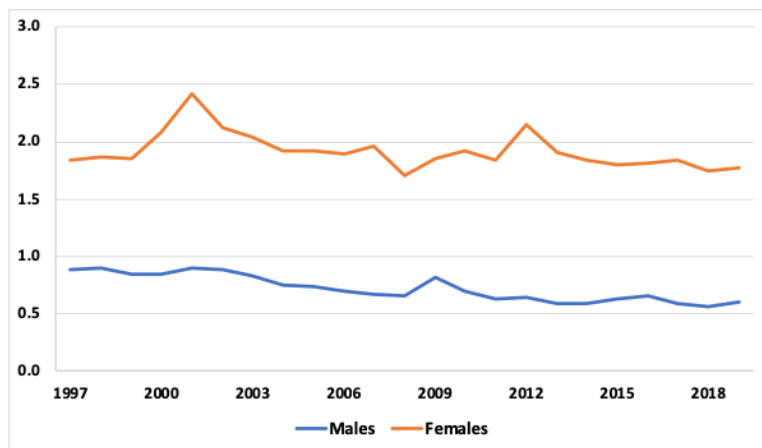
The downside of using five-year retention rates is that we cannot easily see the most recent movements in job stability. One way to address this is to look at jobs that have lasted for one year or less. If there has been a rise in job instability, then that proportion should rise, although it is an imperfect measure since it will also move with changes in job creation by firms. The lines for short-tenure jobs for males and females are also flat over the last 20 years, which fits with the lack of change in job stability.

Despite the lack of change in job stability, workers may feel that the economy has become less stable and so feel growing stress about the stability of their jobs. Brochu and Zhou (2009) use Gallop polling survey data to examine this issue. In particular, they make use of the same question asked repeatedly between 1977 and 2000: “Do you think your present job is safe, or do you think there is a chance you may become unemployed?” They show that the responses to this question closely match movements in the one-year retention rates, indicating that workers' perceptions about movements in instability are quite accurate. Put together with the evidence in retention rates, our conclusion is that job instability is not on the rise in perception or actuality.



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*Figure 3-28: Ratio of workers with unpaid to workers with paid overtime, Canada, 1997–2018*



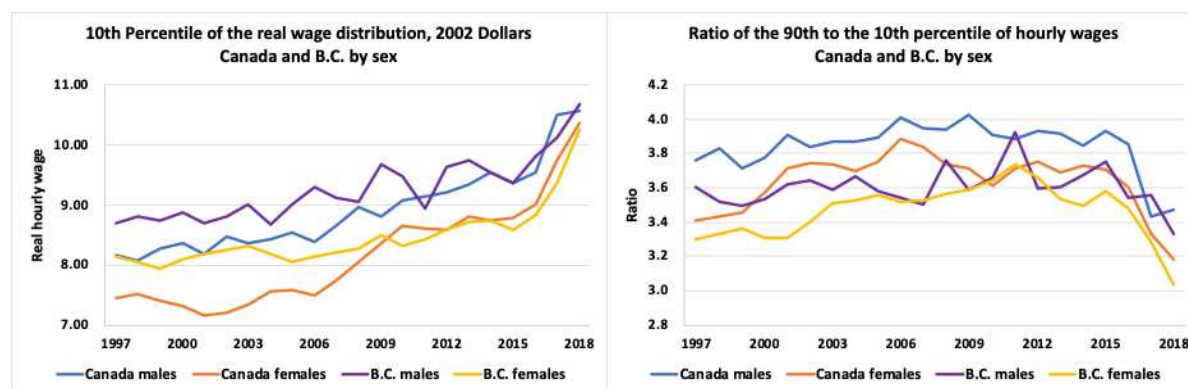
Another important dimension of job quality is the ability of workers to predict and control their hours of work. A lack of such control is often seen as a marker of a “bad” job, and evidence from psychology indicates that lower control over work conditions is associated with worse mental health and

even lower longevity. Worker control of hours is measured using the ratio of the proportion of workers who report working unpaid overtime hours to those who work paid overtime hours. The idea is that reductions in control over hours would show up as relatively more workers being forced to work overtime without compensation.

Similar to other measures of precarious work, Figure 3-28 shows more precarity for females. Males have about the same rates of paid and unpaid overtime work, but females are twice as likely to work unpaid as paid overtime. For both groups, though, the figures display downward trends. If anything, unpaid overtime—and the potential lack of control over the work environment it represents—has become less prevalent over time.

Another element of many definitions of precarious work is low wages.

*Figure 3-29: Measures of wage inequality, Canada and B.C., 1997–2018*

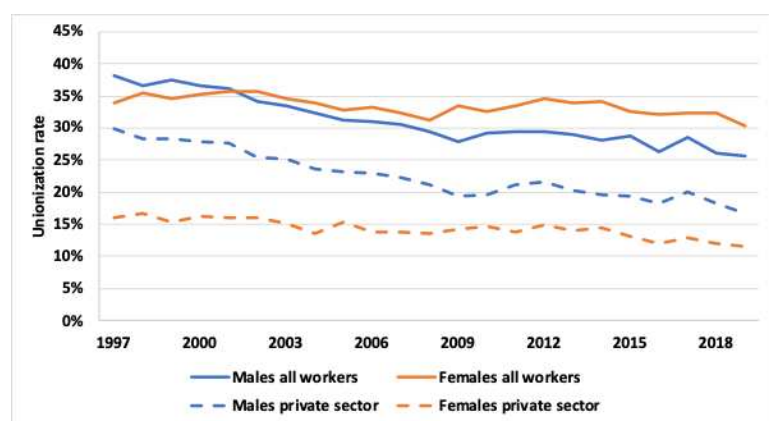


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In Figure 3-29, the first panel shows the 10th percentile of the real hourly wage distribution (in 2002 dollars) for Canada and B.C., broken down by sex for the last 22 years. All four series show gradual increases between 1997 and 2016, with the Canada-wide series showing stronger growth. In the last three years, all of the series have shown very strong growth—over 10% in real terms. This almost certainly stems from increases in the minimum wage in B.C. and other provinces. Since a wage of \$15 is needed to put a single individual working full time at the poverty line in B.C., these wages still imply that at least 10% of workers do not make this line (since the B.C. minimum wage is still below \$15), but the numbers are getting closer to adequacy for those at the bottom of the distribution.

Workers at the low end of the distribution might also be concerned about the level of inequality—that is, the extent to which they fall behind high wage earners. The second panel plots the ratio of the 90th percentile to the 10th percentile wage for the same four groups of workers. Here we see relatively flat trends in the two decades leading up to 2016 and then a strong decline in the ratio—that is, a strong decrease in wage inequality. Again, this is likely mainly due to minimum wage increases and reflects the ability of policy to affect outcomes in markets where precarious jobs dominate.

*Figure 3-30: Unionization rates, all workers and private sector by sex, B.C., 1997–2019*



Worker control over working conditions is both an important feature of a good workplace in its own right and a measure of the extent to which other features, such as work scheduling, are likely to be problematic. In Canada, as in other advanced economies, the proportion of workers

represented by a union has declined substantially over time.

Figure 3-30 plots union membership rates for B.C. since 1997 for men and women separately, showing both the rates overall and separating out private-sector employees. The overall unionization rate for women has declined slightly from 35% of workers in 1997 to 30% in 2019, while the rate for men has declined much more (from 38% to 26%). The composition of union membership has also shifted substantially toward the

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public sector, where women have a larger presence. In the private sector, only 12% of female workers are union members.

Here, as in other markers of precarious work, there is little evidence of a sharp change in unionization trends. Instead, de-unionization among male private-sector workers has been going on for over 20 years, and the very low rate of union membership among female private-sector workers is a seemingly permanent element of the B.C. labour market. Thus, the declining and low level of worker representation is a long-standing concern rather than a new trend.

Another sense in which what appear to be stable jobs are actually precarious is the extent of domestic outsourcing, or working for intermediate firms or as independent contractors. Abraham et al. (2019) implemented a survey in the United States which asked respondents standard Current Population Survey (CPS) questions about employment but followed up with questions that probed more deeply into the nature of work arrangements. Their results imply that approximately 10% of workers who are reported in the CPS as employees are, in fact, independent contractors of some type. They argue that this may fit with the observation that CPS-reported rates of self-employment are lower than (and have a different trend from) tax-based rates of self-employment. This mismeasurement issue likely applies to Canada as well, but there is no reason to believe that it is greatly altering the observed flat trend.

Whether a worker is an employee of the firm on whose premises they work or is, alternatively, either an independent contractor or an employee of some type of intermediary firm is important for considerations of the precarity of work. Tucker et al. (2016) examine the legal limitations on outsourcing of work to subcontractors in Canada. They argue that there are few restrictions and that for most elements of work, “the sub-contracting company has no legal responsibility for the subcontractor’s employees, including pension plans and pension funds” (p. 152). Further:

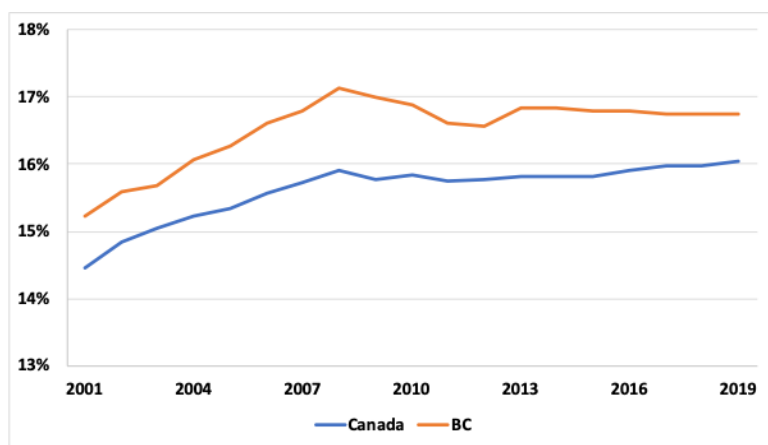
Sub-contractors are not under any legal obligation to offer their workers the same conditions of employment enjoyed by workers at the user company. A sub-contractor is free to negotiate entirely new conditions of employment with its employees even if this results in significantly less compensation for the performance of the same work. (p. 152)

This is the key concern with outsourcing or contracting out work to other firms. It can be a route to lower pay and lesser workplace protections for workers.

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Measuring outsourced work is very difficult. As we have already seen, in standard surveys the workers themselves may not report whether they are in such a work arrangement. Weil (2019) introduces the term “fissured workplace” to group together the various work arrangements that include a gap between the worker and the ultimate source of direction of the work. Fissured workplaces were created as part of firms choosing to focus on their “core” competencies, leaving other tasks (such as food preparation or janitorial services) to subcontractors, which several authors have found reduces wages for low-paid workers. These include temporary help services, call centres, security guards, and janitorial services. Based on what we have learned in the current COVID-19 pandemic, the care home industry has been added to the list. Figure 3-31 shows the proportion of workers in these fissured industries in Canada as a whole and B.C. specifically.

*Figure 3-31: Proportion of employment in fissured industries, Canada and B.C., 2001–2019*

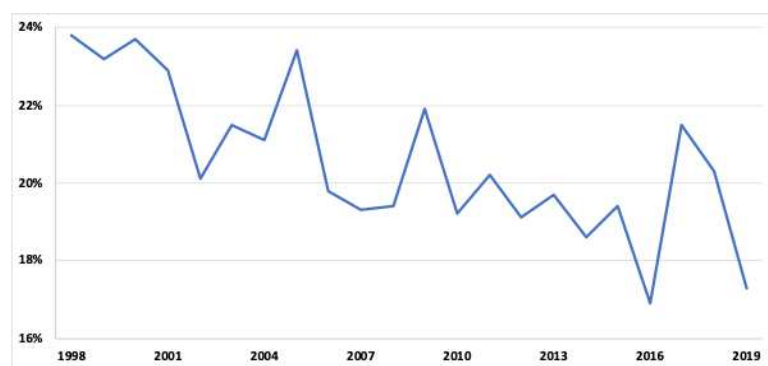


The figure displays a now familiar pattern: the proportion of employment in these industries is substantial (on the order of 17% of all workers in B.C.) but has not displayed an upward trend in the last 10 years. It increased in the 2000s in Canada and B.C., but the B.C. increase was somewhat

more pronounced. Labour market regulation was weakened during this period and shifted to workers self-reporting violations, suggesting a renewed role for policy in affecting these trends.

Caution should be used in interpreting Figure 3-31. On one side, the proportion of workers represented as being in fissured work arrangements is clearly overstated in the figure because all workers in these industries are counted as fissured. On the other side, there are likely workers in other industries who also have these worker arrangements. In addition, the pay of at least some workers in the listed set of industries who are not themselves in fissured work arrangements will be affected by the existence of fissured work in their industry. Similarly, it is hard to know whether there is actually a trend upward in fissured work because of these work arrangements making inroads into other industries.

*Figure 3-32: Estimated wage premium paid by large firms in, B.C. 1997–2019*



Looking at this from a different perspective, we used regression analysis<sup>22</sup> to determine whether the wage premium paid by large firms has changed. Figure 3-32 shows the results, which can be interpreted as indicating that the premium has trended downward

from about 24% in 1997 to about 17% in 2019. This could reflect an ongoing pattern of outsourcing lower-wage workers.

Combining the evidence in the previous two figures and the reports about work arrangement in care homes that has emerged during the COVID-19 pandemic seems to indicate a need for concern about the extent and nature of these work arrangements. The recent focus on gig workers, who seem like a very small portion of the labour force, has the potential to misdirect attention away from the potentially much more substantial problem of workers affected by a fissured workforce.

If fissured work arrangements are a cause for concern, is a basic income the right policy response to them? Having a basic income might allow workers to turn down these work arrangements, generating a bottom-up rearrangement of the labour market that increases low wages, as some advocates claim. But the opposite might happen—with a secure income base, workers might accept precarious work arrangements with less concern. Essentially, a basic income could form the basis of offloading income security from firms to workers. That, in turn, could lead to a workplace with even greater power imbalances. The much more direct policy response is through enhanced regulation, holding the firm in whose workplace the work is done responsible for the workers in that workplace, regardless of their contractual arrangements. Indeed, Weil (2019), in his list of policy responses to the problems he describes, focuses on regulation, training, and social norm responses.

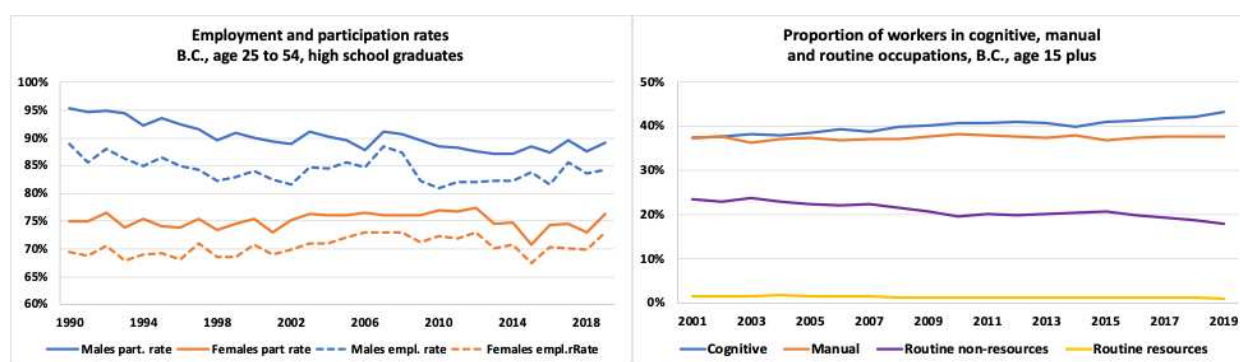
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<sup>22</sup> Coefficients on firms of 500 workers and over in a log wage regression for B.C. including dummies for five-year age groups, six education groups, and a female dummy. The base group is firms of under 20 workers.

### 4.3 Employment polarization and inequality

If the end of work is on the horizon, one might expect to see a trend downward in total employment in recent years. But the employment-to-population ratios for B.C. (males and females combined, over age 15) in recent years through 2018 are at levels close to their value in 2008, which was a historically high value since the beginning of consistent Labour Force Survey data in 1976. Indeed, the employment rate has increased relative to the late 1970s, with the labour market absorbing the increased participation of women.

*Figure 3-33: Employment polarization measures, B.C.*



But underlying this overall trend are declines for men and women with less education. In Figure 3-33, the first panel plots employment and participation rates for male and female high school graduates, aged 25–54. There is a problem with the level of the participation and employment rates for less educated males, but that problem largely emerged in the weak labour markets of the 1990s. For females, there is some evidence of worsening labour market outcomes in the most recent years, but overall one would not conclude from this figure that recent technological change is driving a new movement out of work.

It is worth noting that figures for high school dropouts show more negative long-term trends for both men and women, but that group is becoming a smaller and smaller proportion of the workforce. Notably, this is true not only because newer generations are more educated but also because earlier generations have upgraded their education. The overall implication is that education upgrading is happening and helping to mitigate negative trends in the lower end of the labour market.

The education shift matches a shift in the composition of work, with the percentage of jobs for all workers aged 15 and over in B.C. that are in “routine” occupations (occupations involving repetitive tasks that are seen as being easily replaced with IT-

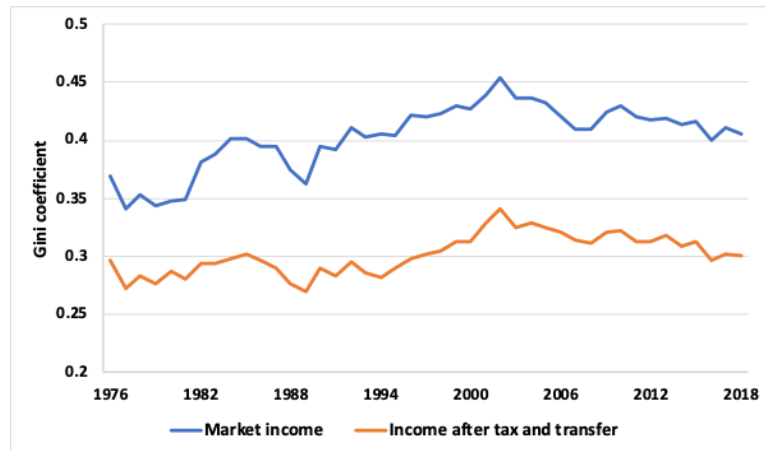


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related capital) falling from 25% in 2001 to 19% in 2019, as shown in Panel B of Figure 3-33.<sup>23</sup> This is exactly offset by an increase in the percentage working in “cognitive” occupations (where more flexibility and non-routine decision-making is required). The nature of work is changing, but this has not implied a reduction in work even for less educated people in recent years. And the earlier numbers suggest that this shift is not matched by an increase in the precarity of work. Moreover, the cognitive jobs that are rising in importance in B.C. are the ones that are typically seen as complementary with new IT capital—that is, the ones that will benefit from technological change. It is possible that the advent of artificial intelligence will change this claim but, at least in the near future, B.C. is shifting toward more technology-resilient jobs.

How are these changes affecting inequality? Figure 3-34 plots the Gini coefficient for market income and disposable income for B.C. from 1976 to 2018. Market income corresponds to income from all sources other than government transfers, and disposable income corresponds to income after adding in transfers and subtracting taxes.

*Figure 3-34: Measure of income inequality (Gini coefficient for market and disposable income), B.C., 1976–2018*



The values shown in Figure 3-34 put B.C. in a middle range relative to other provinces in Canada and relative to other developed economies in the world. We can break the 42 years covered by this figure into three broad periods. The first reaches from the late 1970s to approximately 1996 and is characterized by substantial

increases in market income inequality that are almost perfectly offset by taxes and transfers, so that inequality in disposable income remains constant. The second period runs from 1996 through 2002 and is characterized by a continuation of the trend increase in market income inequality. This, though, is the period of major reforms in the

<sup>23</sup> Cognitive occupations are defined as professional, management, and technical occupations. Routine occupations are clerical, manufacturing, labouring, and trades occupations outside of construction. Manual occupations are service, retail, caregiving, and construction trades occupations.

income assistance system and the elimination of top-end surtaxes on incomes and, as a result, disposable income inequality rises slightly faster than market income inequality. In the period since 2002, B.C. has experienced a gradual decline in market income inequality, with disposable income inequality moving in a parallel fashion. Thus, since the policy changes of the mid-1990s, the system has largely stayed static, neither increasing nor decreasing inequality trends.

### 4.4 Employment Insurance

One argument in favour of a basic income is that the existing Employment Insurance (EI) system leaves many workers uncovered. This issue has been highlighted in the COVID-19 pandemic, as EI seemed unable to meet the needs and temporary supplementary programs (most notably the CERB) had to be rolled out. Empirically, the argument is often made by pointing to the ratio of EI recipients to the number unemployed, which takes values near 0.4. It is not at all straightforward to map from that number to arguments about who is covered by EI when they become unemployed, because EI includes programs for people who do not meet a standard definition of unemployment (e.g., maternity benefits are paid as part of EI) and because there are issues about who should be eligible depending on previous premium payments. Gray and Busby (2016), working with administrative and survey data, show that close to 40% of unemployed workers in 2013 had not paid into the EI system and therefore were not eligible for benefits. Of these, approximately 89% did not have a job in the previous 12 months, with the remainder being mainly the self-employed. Among those who had paid premiums, a quarter did not receive benefits because they had quit their job. Of the remainder (i.e., those who had paid premiums and were not disqualified because of their reason for job separation), about 14% did not get benefits because they had not worked enough hours. The latter group make up about 7% of the total stock of unemployed individuals. Importantly, these patterns were established in the 1990s. The share of unemployed persons who are EI beneficiaries dropped from 84% in 1990 to 44% in 1997 and has stayed near the latter level ever since.

It is notable that the drop in the ratio of EI recipients to the unemployed happened in the 1990s at a time when the extent of both long-term unemployment and self-employment increased. The lack of a program to cover these two groups is certainly an issue. But it is not a new issue and it is not the case, as is sometimes represented, that EI coverage has declined because of recent increases in Canadian precarious work. Like many of the series we have examined, the timing simply doesn't fit such a claim.



## 4.5 Labour share of GDP

A related concern is over changes in the share of total income that goes to workers (the labour share of GDP). The labour share has declined substantially in the United States in recent years, falling from 63.3% to 56.7% in the period 2000–2016 (Manyika et al., 2019). One argument made for a basic income is that this decline stems from changes in technology that can be expected to continue in the future (perhaps related to the rise of artificial intelligence), which would imply that distribution related to work (either directly or through work-conditional government transfers) will ultimately fail. A fair distribution of the proceeds of production would then require an alternative approach that is not conditional on work—a basic income.

While considerable attention has been paid to the decline in the labour share in the United States, it is important to recognize that this trend is far from ubiquitous across developed economies. The United Kingdom has actually experienced an increase in the labour share in the last two decades, while the labour shares in France and Germany declined, though largely in the 1980s and 1990s, with some increases in recent years (Manyika et al., 2019).

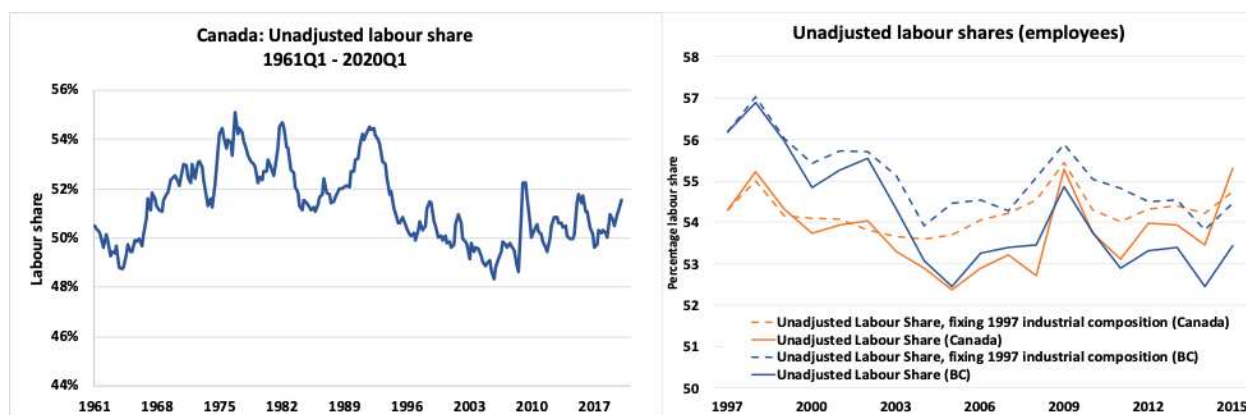
In Figure 3-35, the first panel shows the labour share for Canada for the period 1961 Q1 to 2020 Q1.<sup>24</sup> The long-term pattern can be roughly broken into four periods: a gradual increase from the early 1960s to the early 1970s, rising from about 50% to about 54%; a flat period with considerable variation related to business cycles from the early 1970s to the early 1990s; a period of strong decline from 1992 to 1997; and a period with a gradual decline from 1997 to 2005 followed by gradual increase for the remainder of the period.

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<sup>24</sup> The Canadian data is from Statistics Canada, Table 36-10-0103-01 Gross domestic product, income-based, quarterly. The labour share is the ratio of Total Compensation of Employees divided by GDP at market prices. Note that the labour compensation series is only for employees. It is common to make adjustments to include self-employed workers, but we are unable to do that for the whole period. In years when that adjustment can be made, the labour share level is higher but the trend is substantially the same.

## Part 3: Background

*Figure 3-35: Labour share of GDP*



Unlike the United States, Canada has not been experiencing a long-term decline in the labour share, with its current labour share at approximately the same level as in the late 1960s. As with other indicators, the labour share does not support arguments that technology-related changes to work are affecting the Canadian economy.

More specifically, the labour share has been on a mildly increasing trend for the last 15 years, roughly coinciding with the resource boom that would carry Canada for the next decade. Green et al. (2019) argue that the effects of the resource boom affected wage setting across Canada through bargaining spillover effects, with B.C. a key beneficiary of the resulting wage gains.

The period of rapid decline in the labour share between 1992 and 1997 matches the timing of other large changes we have discussed—increases in inequality and in part-time work that we have linked to labour market policy changes in Unemployment Insurance/Employment Insurance and provincial social assistance changes.

The second panel of Figure 3-35 examines the impact of industrial composition shifts on these trends by plotting both the actual series and counterfactual series in which the proportion of GDP accounted for each industry remains at its 1997 level for Canada and B.C. Without holding industrial composition constant there is a slight downward trend for both Canada and B.C. for the period, more pronounced for B.C. Holding industrial composition constant substantially flattens those downward trends making it almost completely flat for Canada and much flatter for B.C. That means that any reduction in the labour share since 1997 results from shifts between industries with different labour shares rather than movements in labour shares within industries. In contrast, several studies have observed that the downward trend in the labour share in the United States occurs mainly within industry, which is generally interpreted as being the impact of technological change affecting all industries at the same time.

## Part 3: Background

What is the shift in industrial composition underlying the reduction in the labour share? The decline in B.C. after the 2008/2009 recession is largely accounted for by growing economic rents in the real estate sector. As prices rose, there was both a reduction in the labour share in the sector and an increase in its share of total GDP. Since real estate was already a very low labour share sector at the outset of the period, the shift in GDP share in its direction also served to reduce the overall labour share for B.C.

The labour share of GDP once again reflects what are now familiar patterns—the poor labour market conditions of the 1990s, policy changes in social insurance and social assistance programs and a lack of evidence of recent changes to work resulting from technology-driven changes. Canada differs from the United States, where declining labour market share is one of the key observations supporting calls for basic income in response to technological change, but the evidence for Canada does not support the same interpretation.

### 4.6 COVID-19 pandemic and short-term change

All of our data to this point is for the period leading up to the onset of the COVID-19 pandemic. The labour market has been severely affected by the pandemic in ways that might alter earlier conclusions.

*Fig 3-36: Employment rate, B.C., January 1997–April 2020*

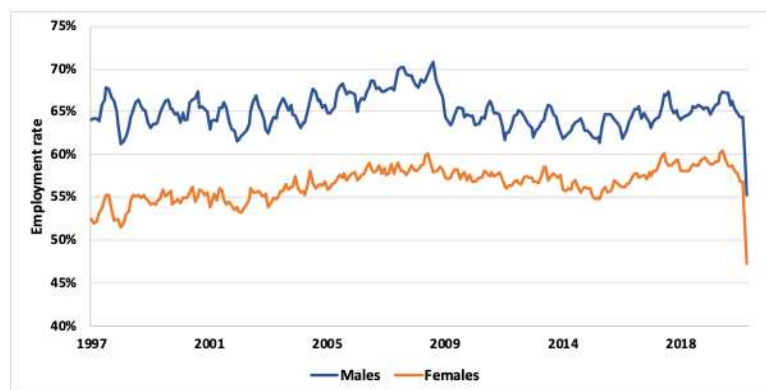


Figure 3-36 shows B.C. employment rates through April 2020. Two points are immediately obvious. The first is that claims about the death of work before the pandemic were greatly exaggerated. The male employment rate dropped in the 2008/09 recession and did not

fully recover, but the female rate was at historic highs just before the pandemic. The second is that the pandemic has generated an unprecedented drop in employment—much larger than in previous recessions.

Much of the drop occurred in the retail, food, and accommodation sectors, all of which are low-wage and low-job security industries (Lemieux et al., 2020). As a result, the percentage of employment that is full time and permanent (standard jobs) has risen from 62% in 2019 to 69% in April 2020 for males, and from 55% to 62% for females.

## Part 3: Background

Although measures of stability have risen among those who kept their jobs, this also demonstrates the precarity of part-time, contract, and self-employed workers most likely to lose their jobs in a crisis.

For those who continued to work, adjustments to COVID-19-related challenges have been in the direction of working from home and in ways that make considerable use of technologies such as Zoom. Statistics Canada included questions related to these adjustments in the April Labour Force Survey and found that 12 million Canadians were employed and working at least half their normal hours per week in the April survey week. Of those, 5.0 million worked most of their hours at home, which included 3.3 million who did not normally work at home. The ability to work from home varied widely across sectors, with the low-paid accommodation services industry having only 8.4% of workers working from home, while the high-paid professional, scientific, and technical services sector had 75.5% of its workers working from home (Statistics Canada, 2020a). This differential ability to work from home is reflected in the employment loss numbers by sector.

Whether and to what extent the shift to working from home will persist and what its effect on the labour market will be remains to be seen. This could mark an inflection point at which the long-predicted end of work begins to materialize, it could mark some fundamental changes but not the end of work, or it could be a short-term effect that will largely be reversed in the coming years.

### 4.7 Application of economic theory

There is a distinct lack of evidence, to this point, that we are on a trajectory to less employment, stable work, wages, and labour share, so we cannot use projections of current trends to predict what would happen if technology did begin to have these effects. Instead, we need to turn to theoretical models of technological change and the labour market for some insight.

As many of us have learned from mathematical models of the progression of COVID-19, these are not about obtaining accurate predictions of the future. Rather, they are about employing logic to understand the limits of what might happen. The limits indicated by the models depend, of course, on the assumptions underlying the models, and the same points apply equally to economic modeling.

The question we want to ask, then, is whether, under reasonable assumptions about new technologies, production, and the labour market, it is likely that we will witness a

## Part 3: Background

future with little or no work and a low labour share of GDP. Or, put in the opposite way, how extreme would our assumptions need to be in order to fit with such a dire future?

The review of the theoretical literature on new technologies and the labour market undertaken by Green (2020d) points to a set of useful conclusions.

First, our future is not technologically determined. Markets are important in steering innovation. Inventors themselves respond to incentives and so will tend to focus on creating new technologies in response to market forces. New technologies do not fall from the sky and our economic future is not technologically determined. Second, while there are issues of concentration of firms' market power that do need to be addressed, it is reasonable to predict that labour as a whole will actually do better in terms of wages and employment in the future because of innovation. Third, there are good reasons to believe that innovation will contribute to increased inequality, though a new, increasing trend in inequality has not, so far, emerged. Fourth, questions of concentration of market power are important and, left unchecked, could imply worse futures for workers.

In B.C.'s case, the importance of economic rents in the form of returns on land in the Lower Mainland is a key point of breakdown in the competitive allocation of the output of the economy that has arisen at several points in our discussion. Since these are true rents, taxing them is an economically efficient policy, as by their nature their allocation is separate from the efficient functioning of production in the economy. This is quite a different conclusion from one based on finding funding sources in the context of an economy in which work and production are being mainly determined by artificial intelligence and other technologies that are arriving exogenously.

### 4.8 Conclusion

We started with two questions:

- Do current trends suggest that the end of work, or at least significant disruptions consistent with reduced labour demand, is imminent?
- Do changes in work trends indicate that there are issues in the job market that warrant addressing?

In looking at the labour market from several different perspectives, we see consistent patterns emerging that answer both questions.

First, current trends do not point to the end of work or significant imminent disruptions. We are in a period of stability in terms of the indicators we have examined, with no

## Part 3: Background

material deterioration in the key aspects of employment as indicated by measures related to:

- the level and characteristics of permanent, full-time employment (standard jobs)
- the various types of precarious employment, such as part-time, fissured, self-employment, contract, or temporary employment
- income inequality
- polarization in the labour market
- the labour share of GDP

They all display a consistent pattern for both Canada and B.C. and for both sexes.

Most of the disruptions occurred in the 1990s, with a few continuing until 2008 at most. The move toward precarious work as characterized by self-employment and part-time work happened before the tax and transfer policy changes of the late 1990s, a period with relatively generous and increasing transfers. Trends over the 15 years or so have predominantly been flat or positive, with minor exceptions.

In addition, Employment Insurance is not, as some suggest, on a failing path because more and more workers face irregular work patterns. Instead both the extent of precarious work and the lack of Employment Insurance coverage for a significant portion of the unemployed are long-standing problems that emerged from program changes implemented in the 1990s and have not changed substantially since.

The conclusion is that current labour market trends do not support the argument that basic income is needed, either because of increased precarity, whether technologically driven or not, or a drop in the labour share of GDP.

Does that mean the trends will not change in the future? No, and in fact changes arising from the current pandemic could potentially be an inflection point at which trends change. There is no doubt that technological change will have real effects on work and pay, as it has throughout history. However, applying theoretical economic models to the question of how technological change will affect the labour market suggests that while the end of work is possible, other less disruptive outcomes involving rising wages and a sharing of the benefits of technology through work are possible and even likely. In addition, there is a role for policies related to redistribution of income and wealth and dealing with the concentration of market power in certain firms that can mitigate concerns. A basic income is a potential policy tool in that case, but our conclusion is

### Part 3: Background

that consideration of basic income as a response to a technologically driven future of lower wages and precarious or no work is at best premature.

Second, the analysis reveals that although trends do not point to a deteriorating labour market, they do suggest that improved labour market and labour relations policy could serve to improve the lot of the substantial proportion of workers who are in precarious employment or are vulnerable to disruptions such as the current pandemic. Could a basic income play a role in addressing these concerns? Yes, but nothing in the analysis helps answer the question of whether basic income should be the preferred policy choice. That question is addressed later in the report. Whether basic income is considered or not, there are concerns about precarious employment and issues like domestic outsourcing that require regulatory measures.

## 5. Income testing and effective tax rate implications

In a report that discusses income and support programs and a basic income, a recurring topic for discussion is whether and how income testing applies to the program in question. There are two aspects to income testing: income as an eligibility criterion, and whether and how the support provided by the program phases out as the recipient's income increases.

In this section we provide background information on these various issues by setting out a general approach that can be used to describe income testing, particularly the phasing out of support as income rises. The same approach applies equally to most basic income program designs, the full range of non-basic-income cash-transfer programs, and income-tested basic services and in-kind benefit programs. Notably, the approach can even be applied to describe a UBI with benefits that do not phase out with the recipient's income. The way income testing is applied in the design of a specific program reflects trade-offs that inevitably must be made among the characteristics of adequacy, cost, and the incentives related to work and other behaviours.

Phasing out support as income rises creates work-related incentives by effectively placing a tax on income; similar to a tax, this phasing out of benefits with increased earnings reduces the return to that work effort. In this section we also discuss how benefit phase-out provisions combine with existing income and other taxes and income-tested supports—as well as the additional taxes needed to finance any new cash-transfer scheme—to affect take-home pay and the resulting economic implications, which are referenced throughout the report.

### 5.1 Income testing

#### Simple income-testing approach

Our approach to thinking about income testing starts by defining the three main parameters related to income testing:

- the maximum amount of the support, benefit, or, in the case of a basic income, the income guarantee provided by the program (G)
- the rate at which the benefit is decreased as income rises, referred to as the benefit reduction rate (BRR)
- the income at which the benefit is reduced to zero, referred to as the break-even point (BE)



## Part 3: Background

The three parameters—G, BRR, and BE—are each closely related to characteristics identified in our analytical framework. G is related to the adequacy of the benefit and, for obvious reasons, higher is better in terms of poverty goals. BRR is related to the economic incentive part of our public trust characteristic because it is effectively a tax rate on other income, and taxing income creates a variety of disincentive effects, so lower is better. BE determines the number of people who will receive a benefit, since those with incomes above BE are excluded from the program. The more people covered by the benefit, the higher the cost—another part of our public trust characteristic. In terms of cost, the lower the BE the better. Note that the other two parameters also affect cost—a higher G will increase cost and a higher BRR will reduce cost. However, a lower BE also may mean that fewer people in need of the resources will receive them, affecting adequacy.

This discussion makes it clear that the choice of these three parameters will represent trade-offs among the characteristics related to the parameters. The following sets out in more detail exactly how those trade-offs work, based on the mathematical relationship that links them:

$$BE = G / BRR,$$

where BRR is expressed as a number, such as 0.50 for 50%.<sup>25</sup>

This formula means that all three parameters cannot be set independently. Once any two parameters have been set, the third one can be calculated using this formula. It follows that low cost, high guarantee, and low disincentive effects cannot all be achieved at the same time.

The trade-off can be illustrated by holding constant any one of the three basic income parameters, varying a second parameter, and observing impacts on the third parameter, as shown in Figures 3-37, 3-38, and 3-39. In each of these graphs, income from sources other than government transfers is measured along the horizontal axis, and transfers from the program are measured by the height of the blue and orange lines. In each case, the guaranteed amount, G, is shown on the vertical axis. Note that since this is paid out to households with zero income from other sources, G is also the total income for the household at this point. As the household adds other income, the amount

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<sup>25</sup> As noted above, this is a simplification for illustrative purposes. It assumes income is taxed back from the first dollar of additional income and that BRR remains constant across incomes, neither of which is necessary but is useful to make the trade-offs clear. More complex designs will exhibit the same trade-offs.

### Part 3: Background

of the benefit is reduced according to the BRR until it reaches zero at the BE level of income.

*Figure 3-37: Varying BRR, constant G*

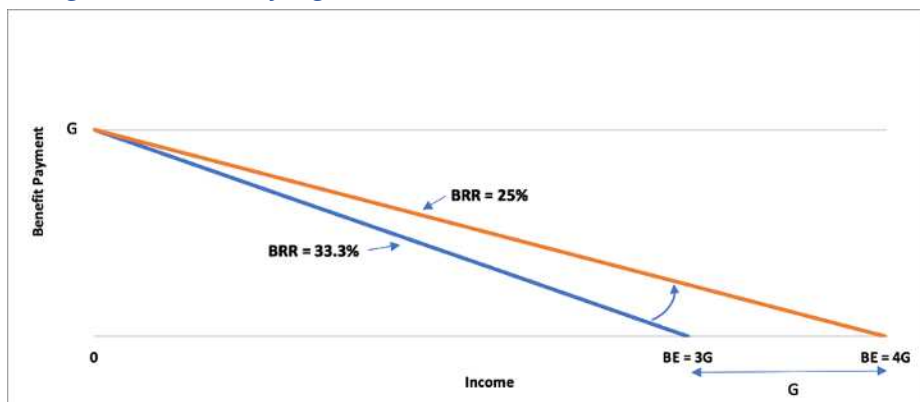
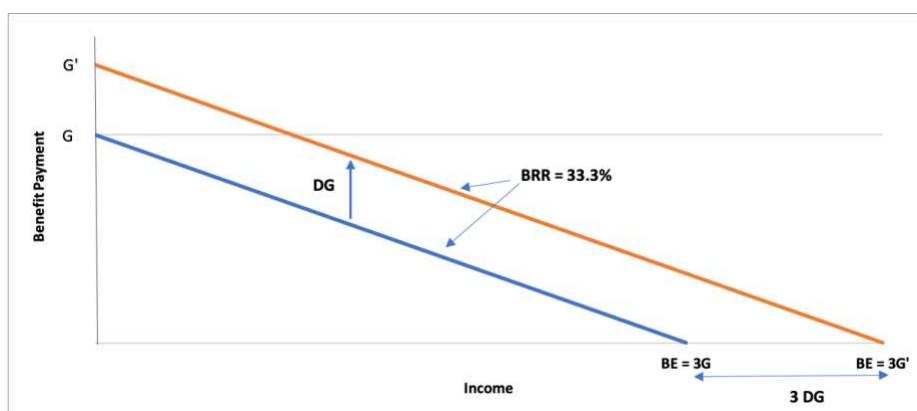


Figure 3-37 holds  $G$  constant and varies the BRR to see the effect on BE. Applying the formula, where the benefit is  $G$  (say \$10,000) and the BRR is 33.3%, then BE is  $3G$  (or \$30,000 in this

example, illustrated by the blue line). However, if the incentive effects of this BRR raise concerns, we could consider a reduction in the BRR to 25%, as shown by the orange line. This change raises the BE from 3 times  $G$  to 4 times  $G$  (or from \$30,000 to \$40,000 in the example). Since that now includes people with higher levels of income, it means that more people will receive some amount of benefit. Because the orange line is above the blue line, it means that at every positive level of income the benefit paid will be higher. As a result, both because more people will receive benefits and the amount of benefit is higher at every income level, the cost will be higher under the lower 25% BRR. The trade-off here is that the disincentive effect is reduced but cost is increased.

*Figure 3-38: Varying G, constant BRR*



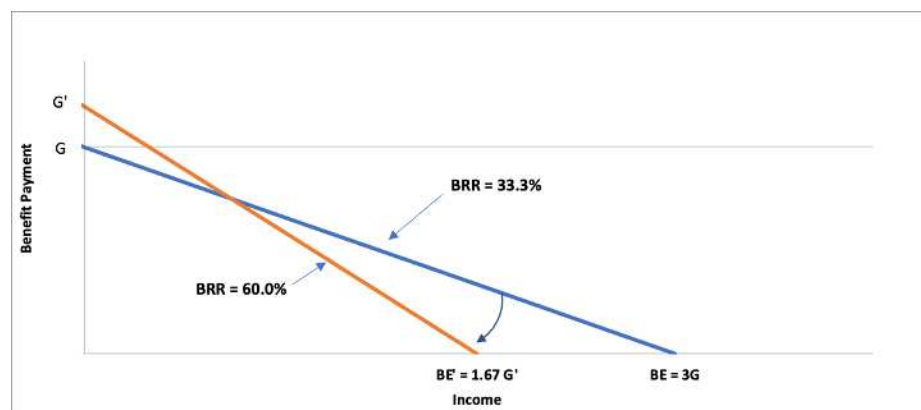
Next, we consider holding BRR constant at a level that might be deemed acceptable for incentive reasons (in our example, 33.3%) and varying  $G$ , the guarantee

level, to observe the effect on BE. In Figure 3-38, we assume that the initial value for  $G$  (\$10,000, to continue the example) was regarded as inadequate and we increase it to  $G'$  (say \$12,000). This causes a parallel upward shift in the line by the amount the guarantee increases,  $DG$  (\$2,000 in this example). As a result, by applying the formula

### Part 3: Background

we see that the BE increases by three times DG (i.e., increases by \$6,000 to \$36,000). The amount paid to every original beneficiary is increased by DG, and some people who were not previously receiving benefits because their income was greater than BE now receive some benefits on account of the increased BE. In this case the trade-off is that adequacy is increased but cost is also increased. In our example, every original recipient gets \$2,000 more, and people whose income is between \$30,000 and \$40,000 become eligible to receive some benefits.

*Figure 3-39: Varying G, constant cost*



What if we want to increase the adequacy of the benefit by increasing G to G', as we did in the previous example, but we are restricted to holding constant the cost of

the program?

Figure 3-39 shows how that could be done by reducing or eliminating benefits for some initial recipients. Under our simplified approach, it could only be done by increasing the BRR at the same time as increasing G. For this example, we increased BRR from 33.3% to 60% for illustration purposes, but to calculate the actual BRR that would hold the cost constant requires knowing the income distribution of those eligible for the benefit, as well as any induced behavioural responses that affect incomes.

As illustrated by Figure 3-39, increasing the BRR enough to hold the cost constant results in the lines crossing. Those with lower incomes receive higher benefits due to the increase in G, while those with higher incomes receive lower benefits and some lose all of their benefits due to the higher BRR. Those with incomes at the level where the lines intersect receive the same benefit under both scenarios.

Using the same example, the blue line represents a G of \$10,000 and a BE of \$30,000. We assume that a program with the same total cost can be represented by the orange line with  $G' = \$12,000$  and a BE of \$20,000, applying the formula. In this example, the lines would cross at an income of \$7,500, with those earning incomes lower than that gaining benefits, and those with income above \$7,500 losing benefits.

## Part 3: Background

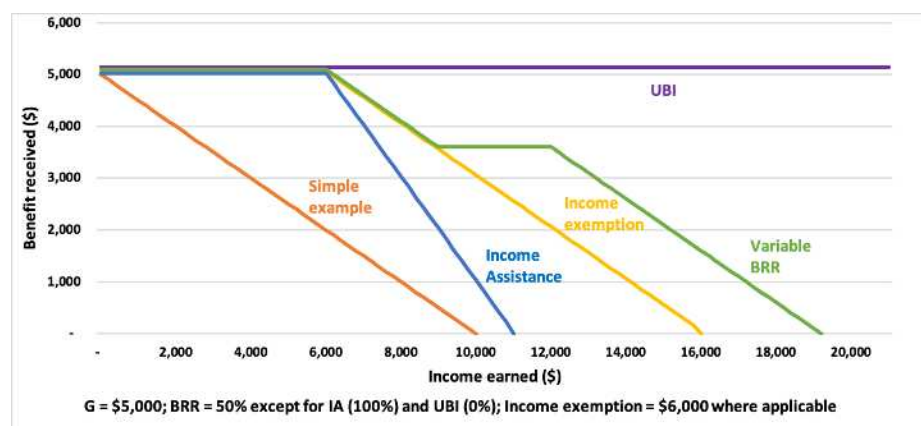
For a given program budget, increasing benefit adequacy for those at lower incomes must come at the expense of increased disincentives concentrated on a smaller group at the lower end of the income scale. As shown in Kesselman (2020a) and confirmed quantitatively in our simulations of basic income scenarios in Part 5, Section 4 (Simulation Results), with a range of parameters, the cost of programs can rise sharply with increased G or reduced BRR on account of the impacts on BE and the associated numbers receiving benefits.

### Extensions of the approach

The three examples described above show situations where the amount of the benefit paid decreases with income, starting with the first dollar of income received until the benefit paid is reduced to zero at a constant rate. This general approach is most commonly associated with income-tested basic incomes, which are discussed in detail in Part 5. However, the approach can be extended in several ways to apply to different benefit designs.

Figure 3-40 illustrates the four types of extension to the approach described below, together with the simple approach discussed earlier. The figure uses a common set of parameters to allow comparison. All examples use  $G = \$5,000$ . Unless needed to demonstrate the effect of a different BRR, it is set at 50%. Wherever used, the income exemption level is set at \$6,000. The lines are offset slightly to help with readability.

*Figure 3-40: Extensions of the simple income-testing approach*



The line labelled “Simple example” shows that maximum benefit is paid when income is zero and is reduced by applying the BRR (50% in the example) to income earned up to the BE level, where the

benefit becomes zero (\$10,000 in the example).

Next we consider a universal basic income, where everyone receives the full amount of the income guarantee regardless of their income. In that case, BRR is zero and there is

### Part 3: Background

no BE point. Graphically, the result is a purple horizontal line at G labelled “UBI” on the figure.

Several cash-transfer and in-kind benefit programs found in the current system, discussed in Part 4, have an additional feature: an income exemption. In those cases, the benefit is not reduced until income exceeds a threshold level—that is,  $\text{BBR} = 0\%$  up to the income exemption level. As a result, the graph of such designs has a horizontal section up to the income exemption level and then the line slopes downward to the BE point, labelled “Income exemption” on the figure. This design is commonly used in refundable tax credits and in-kind benefits. It is also a feature of Income Assistance cash transfers.

Income Assistance has another feature in addition to the income exemption: a 100% BRR above the income exemption threshold. That means the benefit is reduced dollar for dollar by additional income earned. As a result, the amount available to the recipient—the benefit paid plus income earned—does not increase for the income range from the income exemption threshold to the BE point, imposing a severe disincentive effect. The figure includes a line labelled “Income Assistance,” but it is just an example using common parameters for illustrative purposes and does not represent current Income Assistance rates or income exemptions. In this example, for income in the range of \$6,000 to \$11,000, the income recipient would have disposable income of \$11,000 regardless of how much income they earn. Above that level of income, they would have disposable income equal to their after-tax earned income since they would no longer be subject to the program or its BRR.

One final feature that is sometimes added to income-tested benefits is a variable BRR. In principle, this could take many forms. The Canada Child Benefit has different BRRs for different ranges of income. Two B.C. programs—the Affordable Child Care Benefit and the B.C. Child Opportunity Benefit—both have benefits with a BRR that applies up to a certain level of income, is set to zero up to another income level, and then the original BRR applies again up to the BE point. In other words, over a specified range of incomes the benefit remains constant. This is illustrated by the line labelled “Variable BRR” on the figure, which is also just an example and the parameters are not consistent with any existing program.

These simple examples can be extended in many ways with further variations. An example is the Canada Workers Benefit, which is an earnings supplement having a unique benefit structure not shown in the figure. This type of benefit offers nothing for persons with zero income or earnings ( $G = 0$ ), but earnings above a certain level are

subsidized at a given rate (a negative BRR) up to a maximum level, with additional earnings subject to a positive BRR until the BE level of earnings is attained.

### 5.2 Combined incentive effects on labour supply

We mentioned earlier that BRR is related to the economic incentive characteristic in our analytical framework because it is effectively a tax rate. In this section we explore the impact of BRR on labour supply through the incentive to work. We are discussing that here because the same principles and general analysis apply for any income-tested program that reduces the amount of support as income increases, whether a basic income, a basic service, or a traditional income support program like Income Assistance.

Before starting, we should emphasize two points. The first is that taxes have incentive effects that go beyond their effect on the choice about whether to work or how much to work. These include many life decisions that depend on current financial circumstances and future expectations, including decisions about where to locate, education and training, marital status, and having children. For some people, taxes and BRRs also affect choices about whether to work in the legitimate economy or for unreported cash, as well as whether to engage in other forms of non-compliance.

The second point is that many other elements of program design can also have significant labour supply implications, something that is discussed in detail in the context of Income Assistance in Part 4. Every program is the result of many design choices, each of which influences the overall implications of the program, including its labour supply implications. In Part 5 we delve deeply into the design choices available for designing a basic income program, demonstrating clearly that designing and implementing a basic income is not quite as simple as many advocates would have us believe.

In other words, work-related impacts of taxes are not the only implications of taxes, and the choice of BRR in designing an income-tested benefit is not the only design element that can affect labour supply. However, the implications of BRR are an important part of the analysis, and something that applies equally to basic incomes and all other income-tested benefit programs.

#### Labour supply issues

To understand the effects of tax rates on labour supply, we follow Green (2020b) in setting out the basic economic model. Figure 3-41 shows the classic depiction of the

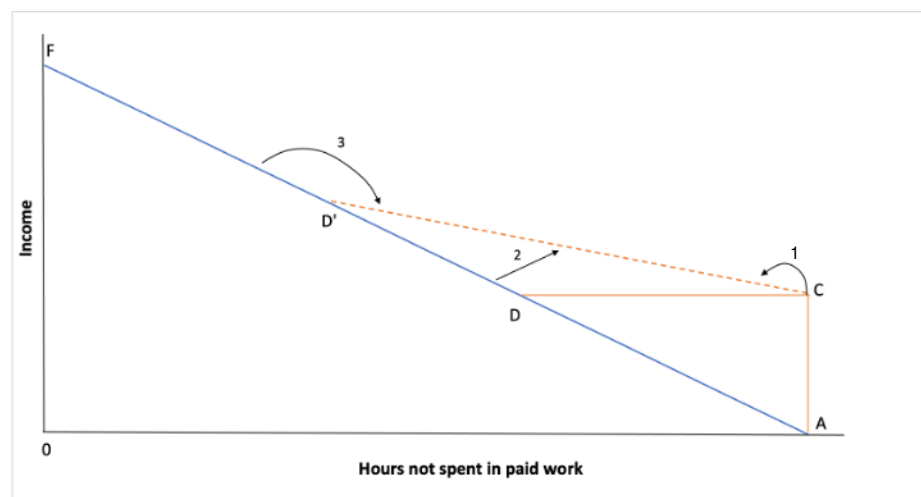
### Part 3: Background

trade-off between the net or spendable income earned by working and the value of time used for other pursuits.

The classic model depicts this trade-off by first noting the limited amount of time available in a given period, say a month, which a person can use for paid work or for other pursuits, traditionally referred to in the labour supply literature as “leisure.” On the horizontal axis, the point A represents the total number of non-sleeping hours available. Points along the line AF represent the amounts of income that can be earned by choosing to devote some of these hours to work rather than other things. If none of the hours is spent working, all A hours are devoted to doing other things, but no income is earned. If all of the hours available are devoted to work, that leaves no time for other things, but generates an amount of income F. Thus, an individual choosing to spend more hours in paid work is depicted by movement to the left along line AF in the figure.

Now consider what happens when a benefit in the form of our simple example from above is introduced. The maximum benefit, G, is represented by the line AC, which is received if no hours are used for work. As more hours are worked, the amount of the benefit is reduced by the BRR until it is eliminated at the BE point. On the figure, if the BRR were 100%, as it is with B.C.’s Income Assistance (above the earnings exemption level—a complication not included in this figure), the situation would be represented by the line CD, where the total of the income earned and benefit do not change as more hours are devoted to work and the person moves to the left from point A. In that case all of their earnings are taxed away by the 100% BRR. Alternatively, a BRR of less than 100% is represented by the line CD’, where total income rises as more hours are worked, but at a lower rate than if there were no benefit and tax-back arrangement.

*Figure 3-41: Work and income with income-tested benefits*



What are the effects of changing the BRR on hours worked? We consider that by imagining moving from a benefit with a 100% BRR to one with a lower BRR—that is, changing from the CD to the

## Part 3: Background

CD' line. The arrows on the figure illustrate three distinct effects, hinging on the individual's original position.

The first effect is that of the original 100% BRR, with a person choosing not to work at all and locating at point C. The higher the BRR, the less incentive to work and the flatter the line. The steeper the line, the more a person gets to keep of their earnings by devoting time to work. Arrow 1 points out that reducing the BRR from 100% increases the incentive to work for those not initially engaged in work. Thus, Arrow 1 depicts an initially non-working person being drawn into the labour force and working.

Arrow 2 shows a different effect for those who are already working, earning income above the BE point for the initial benefit, more than D but less than D'. Those people don't receive a benefit payment when the BRR is 100%, but when it is reduced their take-home pay goes up by the benefit payment they receive. This gives rise to an "income effect," since the added income allows these people to do less work and maintain the same level of total income and spending. An increase to G without changing the BRR also induces this income effect, including decreasing the incentive to work for those not already working.

In addition, these people are now facing a higher effective tax rate than they were originally. Even though it's not the 100% BRR originally associated with the benefit, it is more than they faced before, because their income is above the original BE. This "substitution effect" gives them an added disincentive on top of the income effect to continue working at their original hours.

Arrow 3 shows a third type of effect that can arise for people whose original income exceeds the new BE, D'. Those people have an incentive to work less in order to qualify for the benefit; however, they may not respond since they may value increased time for non-work pursuits less than the associated reduction in net income.

Combining the effects of reducing the BRR, some people who don't initially work will be incented to increase their participation in the workforce because they gain more for every hour of work (Arrow 1), and some people will be incented to work less (Arrows 2 and 3). With these effects operating in different directions in terms of the effect on the labour force, the net effect depends on which of these effects is larger. The size of the effects depends on the number of people affected by each situation and by the strength of the incentives associated with the change, known as the "elasticity." The stronger the effect of a given change, the higher the elasticity. Quantitative evidence about labour supply elasticities is discussed below, but first we put the effects of benefit design into the context of the tax system and other effective tax rates.



### Effective tax rates

The BRR of the depicted benefit program is only one mechanism that effectively taxes income, and it combines with the effects of the other mechanisms. Most obvious is the income tax system, which directly taxes income. In addition, the income tax system serves as an important benefit delivery platform for several refundable and non-refundable tax credits that are phased out with income, each applying a BRR.

Other programs effectively tax income by applying premiums to earnings, most notably Canada Pension Plan contributions and Employment Insurance. They act like income taxes because they impose levies at a BRR equal to their respective contribution rates, with the amount of the levy dependent on income.

There are also income-tested cash-transfer and in-kind benefits that are delivered through other programs, described in detail in Part 4. In many cases a person may qualify for several of these programs, each with an associated G, BRR, and BE point.

Each of these taxes, levies, and income-tested benefits has the same type of effects, has an associated BRR, and has the same kind of effects as described above. Those effects combine to exert an overall effect on incentives for the individual. The combined implications of all these mechanisms can be analyzed by calculating “effective tax rates,” which measure their overall impact on take-home pay and thus the amount of taxes that are effectively paid.

Milligan (2020) describes two types of effective tax rates that align with the discussion of incentives based on the labour supply model discussed above. One is the marginal effective tax rate (METR), which measures the impact of earning an extra dollar of income, including the impact of all relevant taxes and other levies and benefits that vary with income, whether delivered by the tax system or not. The METR is the percentage of that extra dollar lost through these impacts. The second type is called the participation tax rate (PTR), which measures the total impact of additional taxes and reduced benefits for a person moving from no work to work at a given level of income; the PTR is the percentage of this income lost through these impacts.

METR is a measure of the extent to which effective taxation reduces the benefit associated with increased work. Economists refer to this as the “intensive margin,” which means the effect of taxes on the number of hours of worked (i.e., the intensity of work). In terms of the earlier discussion, METR affects the decisions associated with Arrows 2 and 3, decisions made by those already working. A METR of 100% means that an additional dollar earned will effectively be fully taxed back, with no increase in funds available to the individual to spend. It is possible for METR to be greater than

## Part 3: Background

100%, meaning that earning more reduces available funds. The lower the METR, the more of any additional earned income remains with the taxpayer. Changes in METR can accompany increased income due, for example, to BE points being reached and moving into higher tax brackets in our progressive income tax system. As noted before, the METR can be negative on a range for an earnings supplement program.

PTR measures the impact of a decision to take a job that earns a given amount as compared to not working—that is, choosing to participate in the labour market. Economists refer to this as the “extensive margin,” which relates to the decisions associated with Arrow 1—the decision as to whether or not to work. While METR measures the tax rate at a particular level of income, PTR measures the net tax effect associated with an income range from zero to a level of income associated with a particular job.

Milligan (2020) has used the Canadian Tax and Credit Simulator<sup>26</sup> to simulate the combined effects of all of the elements of the tax system plus Canada Pension Plan contributions and Employment Insurance premiums, and added to that base Temporary Assistance benefits and Disability Assistance benefits for a variety of family compositions. Because of the interactions between partners in couples, for illustrative purposes we provide results only for single adults without children.

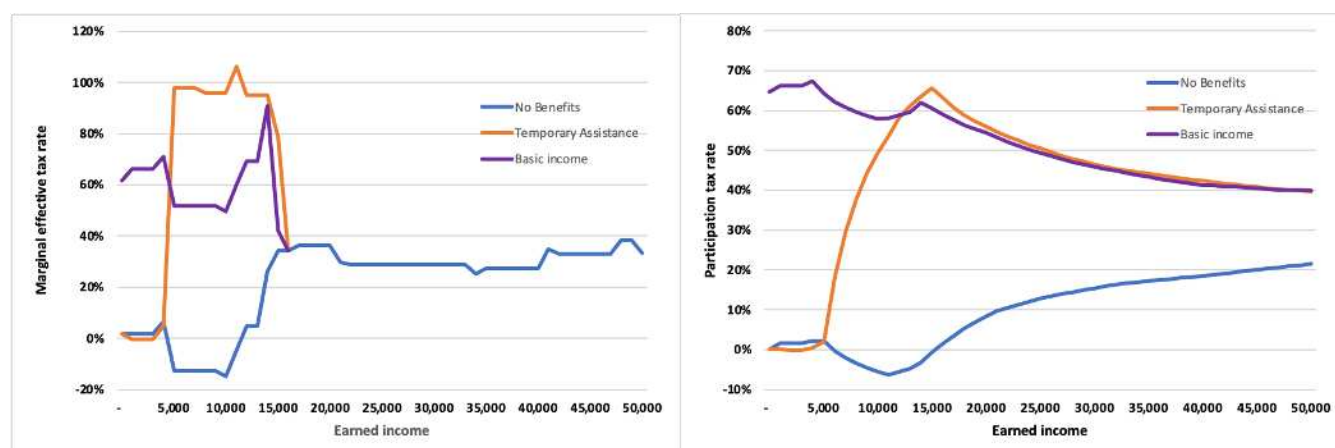
We have extended that analysis by simulating the effects of a basic income with parameters similar to Temporary Assistance. The maximum annual benefit from Temporary Assistance is \$9,120, and we use that amount for G in our basic income simulation. We also use the BE point of \$14,120 from the Temporary Assistance program, which arises because of its earnings exemption. For the hypothetical basic income (which does not include an earnings exemption), applying the formula set out earlier gives a BRR of 64.6%. Such a basic income would have a gross cost of about \$2 billion and would reduce the poverty rate from 8.6% to about 7.7%, according to simulations conducted for the panel.

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<sup>26</sup> <http://faculty.arts.ubc.ca/kmilligan/ctacs/>

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*Figure 3-42: B.C. METR and PTR with no benefits, Temporary Assistance, and a basic*



*income*

Figure 3-42 shows the resulting patterns of METR and PTR for single childless adults for three simulations corresponding to no transfer program, Temporary Assistance, and the hypothetical basic income. METR is shown in the left panel of the figure and PTR in the right panel. The panels show how the respective tax rates, displayed on the vertical axis, change as earned income, displayed on the horizontal axis, increases. The graphs illustrate several notable points:

- In the case with no benefits, METR is low, even negative in the range of earnings supplement, up to the point where tax becomes payable, at about \$14,000 of earned income, and then varies in a narrow range around an average of 31%.
- The Temporary Assistance METR starkly identifies the welfare wall associated with the fact that Income Assistance has a 100% BRR, then reverts to the same level as the no benefits METR above the BE point. Note that because of the \$5,000 income exemption, METR is zero below that level before hitting the wall.
- The B.C. basic income METR, which equals the METR for no benefits plus the basic income BRR, is also relatively high. As income tax is applied, at about \$11,000, the METR increases to almost the same level as the Temporary Assistance METR before falling back to the “no benefits” level at the BE point.
- The PTR without benefits is equal to the average effective tax rate, increasing smoothly from a negative amount at low incomes where refundable tax credits, including the Canada Workers Benefit, are received and no income tax is payable, to just over 20%, at \$50,000 of income.

## Part 3: Background

- The basic income PTR exceeds the Temporary Assistance PTR at low income levels because Temporary Assistance has a \$5,000 income exemption but increases rapidly to almost 70% at about \$10,000 earned income. Above \$10,000 of income, both PTRs are strikingly similar, creating a significant disincentive to participate, compared to the no benefits case.

Next we discuss the evidence related to the various elasticities, which determine the extent to which the disincentive effects associated with METR and PTR translate into labour supply impacts.

### Labour supply elasticity

There are four elasticities to consider when determining the size of the incentives associated with introducing or changing a benefit:

- the elasticity of hours worked with respect to income, measured as the percentage change in hours worked due to a 1% increase in income, which corresponds to the income effect associated with Arrow 2 in Figure 3-41
- the elasticity of hours worked with respect to wage, which allows us to determine how much a change in METR affects decisions about how much to work, represented by Arrows 2 and 3
- the elasticity of participation with respect to income, which allows us to determine how much impact a change in G will have on decisions about whether to work
- the elasticity of participation with respect to wages, which allows us to determine how much a change in the BRR (and thus income after tax and benefits per hour of work) affects decisions about whether to work, represented by Arrow 1.

In each case, we are referring to income and wages after tax and benefits, because it is the amount that the person takes home and has available to spend that affects their behaviour.

Green (2020b) has reviewed literature related to estimating various labour supply elasticities within several different contexts, including basic income pilots, natural experiments resulting from changes in benefit programs, and estimates pertaining to specific demographic groups. Based on this literature, Green's conclusions about the best available estimates for elasticities for various groups include the following:

- Each of the four types of elasticities is essentially the same for men and women

## Part 3: Background

- For higher-income earners who work more than the median number of hours worked, all of the relevant labour supply elasticities are essentially zero, a finding that applies primarily to the impact of increasing tax rates to fund increased benefits.
- For those who are unable to work, which accounts for many Disability Assistance recipients and a significant proportion of Temporary Assistance recipients who are excused from work requirements, there would be no labour supply response to changing either G or BRR because of their personal circumstances.
- The elasticity of participation with respect to income is between  $-0.03$  and  $-0.13$ , which means that a 1% increase in G would reduce the number of recipients who work by between 0.03% and 0.13%.
- The elasticity of participation with respect to wages is between zero and 0.01, meaning that if wages go up 1% because the BRR is reduced, the number of people who choose to work would increase by at most 0.01%, but may not increase at all.
- The elasticity of hours worked with respect to income is between  $-0.01$  and  $-0.1$  for those below the median hours, which relates to the income effect on those who are working and can arise from either increasing G or reducing BRR.
- The elasticity of hours worked with respect to wages is between zero and 0.1 for those below median hours.

Overall, these elasticities mean that the expected behavioural response from a change in the benefit structure is likely to be small, although the total impact on labour supply depends on how many people are affected and how big the changes are in G and BRR. Thus, depending on the details of a program's implementation, it is possible for the overall labour supply effects to be small while the impacts on specific groups are more significant. As Green points out, there is also considerable uncertainty associated with these elasticity estimates.

### 5.3 Conclusion

In addition to providing a useful approach to thinking about income testing and economic implications, this discussion leads to three conclusions that help frame our work.

## Part 3: Background

First, income-tested benefit programs and basic incomes share the same basic benefits structure approach and the same broad options for designing the benefit structure for a specific program.

Second, there are many factors beyond the benefit structure and its economic implications that ultimately affect the overall labour supply response. As mentioned earlier and discussed in detail in subsequent parts of the report, many policy design elements of programs in addition to the benefit structure can affect the behavioural response, including non-cash benefits associated with programs and eligibility requirements. Also, different groups of people will react differently because of differences in their circumstances and the set of benefits for which they qualify. While the insights that can be gained by applying effective tax rates and elasticity estimates are useful, they only address part of the issue.

Third, it is nevertheless interesting to observe that a basic income and a traditional income support program with similar maximum benefits and break-even points exert very similar incentives on recipients through their effective tax rate implications. Whether the labour supply effects are similar will depend on eligibility and other design features, but in an apples-to-apples comparison based only on effective tax rates, the effects are about the same.

The benefit structures and the effective tax analysis approach described in this section will be applied in Parts 4 and 5 of the report as we analyze the current system and potential basic income designs to determine how best to move B.C. toward a more just society.

## 6. Panel engagement

### 6.1 Public and community engagement

#### Consulting with British Columbians

We consulted broadly with British Columbians in two important ways. First, we used the extensive database of comments and suggestions gathered by the Ministry of Social Development and Poverty Reduction during the consultative process undertaken in support of the first B.C. poverty reduction plan. That process concluded shortly before we began our work in 2018 and provided a wealth of information.

Second, we held a separate web-based public engagement process, with several specific questions posed, that took place between November 15, 2018 and March 15, 2019. Over the course of the consultation, we received 138 submissions through the engagement site, 309 email submissions, 72 petition signatures, and seven reports from community organizations. Fifty-eight of the individuals making submissions self-identified as having lived experience of poverty.

Nearly 70% of submissions were generally in favour of a basic income as an approach to reducing poverty. Top arguments in favour of a basic income were that it would reduce poverty and improve well-being, while the most frequently cited argument against the policy was that it would be expensive and therefore infeasible or unsustainable. In addition, several themes emerged across submissions, including the inadequacy of existing supports, the special challenges faced by people with disabilities and those providing care to someone living with illness or disability, and the role of marital status in eligibility determination.

#### Engaging key stakeholders

To obtain further stakeholder input, we also held in-person consultations with 10 organizations in May 2019. Invited groups included business groups, basic income advocates, public health authorities, women's and seniors' organizations, and poverty reduction groups. During each session, the group was given the chance to present key points from their written submissions. Following the presentations, we asked each organization a round of specific questions, from "Should there be a pilot?" to "What are the trade-offs between basic income and basic services models?" and "How should a basic income be financed?" Coupled with the information received through written submissions, these sessions provided us with vital perspective and context, and helped to fill gaps in our research program.

### Gathering researchers, experts, and policy analysts to discuss preliminary findings

In December 2019—halfway through our mandate—we convened researchers and policy analysts to discuss a range of topics related to our tasks, and, in particular, to consider preliminary findings from commissioned research. Workshop attendees included the academics commissioned to produce independent research to support our work, experts on income supports and basic income design, policy-makers, and emerging scholars with an interest in basic income. The objective of the workshop was to draw on the expertise of attendees through guided discussion, and to highlight gaps, inconsistencies, and places where the panel might shift focus. The workshop was organized into eight sessions:

1. Goals and Definitions of a Basic Income
2. The Positives and Negatives of the Current System
3. Societal Transformation, Transitions, and the Changing Labour Market
4. Basic Income and/or Basic Services
5. Addressing the Needs of Particular Groups
6. Practicalities for B.C.—Cost, Structure, and Other Considerations
7. Investigating the Main Alternative—Reforming the Current System
8. Evaluation and Pilots of a Basic Income

The following themes emerged over the course of the workshop and are reflected throughout this report, particularly in our recommendations:

- **A “radical incrementalist” approach should be considered**—Instead of getting caught on either end of the spectrum (i.e., “basic income or bust” or a principal focus on small, achievable “tweaks”), the panel should focus on “big” or “radical” reforms to move the system into line with (or toward) basic income.
- **Money is not everything**—Not all programs can be replaced with a simple cash transfer, as some in-kind benefits and additional programs and supports are vital, particularly in targeting specific needs.
- **Different people have different needs**—People with disabilities require extra supports to engage in basic daily activities, while those in transition (e.g., youth



aging out of care, workers in declining sectors, women fleeing violence) would benefit from supports and services tailored to their particular contexts.

- **The system is complex, and delivery and access must be simplified—** Failure to improve access and delivery will limit the impact of future reforms. Further, local agencies, non-governmental organizations, and service providers play an integral role in supporting system access. This should be recognized—and these groups better supported.
- **Indigenous people and communities need specific consideration—**A legacy of institutional discrimination, colonialism, and violence cannot be discounted in addressing barriers to access, particularly for Indigenous populations.

### 6.2 Commissioned research

The first step in our work involved developing a comprehensive program of research and analysis. We commissioned a series of over 40 independent academic studies that would advance understandings in each of the four areas:

#### Grounding the analysis: Understanding poverty and basic income

1. **Understanding the nature and extent of poverty in B.C.:** What are poverty rates, depths, and trends in B.C.? How do labour force dynamics, homelessness, and systemic issues influence poverty/risk of poverty? How can “financial capability” and “financial exclusion” help to explain poverty/poverty risk?
2. **Grasping the state of basic income knowledge:** What do existing conceptualizations, political commitments, and past analyses and pilots tell us about the basic income concept?

#### Studying the current system of income and social supports

3. **Mapping and analyzing the system of income and social supports:** What income and social support programs are available to people in B.C.? What does this look like when considered as a “system?” How is the system designed and administered, and according to which logics of benefit delivery?
4. **Who does the system serve (or not)?:** What are patterns of use? How do programs and services overlap and interact? Are there unintended effects? What are user experiences? How do various groups (e.g., women, people with disabilities, racialized people) experience it? Where and for whom does it fall short?

### Evaluating potential impacts of a basic income

5. **Assessing an existing Canadian cash-transfer program:** What has been the impact of the Canada Child Benefit, including on household consumption and child outcomes?
6. **Analyzing the potential of a basic income:** What do various simulations look like? How might a basic income impact poverty, homelessness, and inequality, including for diverse groups? Could a basic income influence labour supply and self-employment, and provide support given a shifting labour market? How does a basic income compare to basic services?

### Looking to the future: Considering reform options

7. **Contextualizing future reforms:** What is reasonably possible, given the fiscal picture?
8. **Considering reforms along basic income lines:** How can programs and systems—from income support to rental assistance—be reformed using basic income principles?
9. **Assessing design and delivery considerations:** What can insights from financial inclusion, tax filing, and financial capability research contribute to design and delivery? What other design elements are important in developing and administering basic income and reformed income support programs?

The following is a list of reports, all of which are available on our website:

<http://www.bcbasicincomepanel.ca>

*Table 3-5: Research papers*

<b>Grounding the analysis: Understanding poverty and basic income</b>	
<b>1. Understanding the nature and extent of poverty in B.C.</b>	
<i>Poverty in British Columbia: Income Thresholds, Trends, Rates, and Depths of Poverty</i>	Petit and Tedds
<i>Gender-Based Analysis Plus (GBA+) and Intersectionality: Overview, an Enhanced Framework and a B.C. Case Study</i>	Cameron and Tedds
<i>Homelessness and Poverty in British Columbia</i>	Kneebone
<i>Defining and Describing Energy Poverty in British Columbia: The Distribution of Households' Energy Expenditure</i>	Shaffer and Winter
<i>Financial Inclusion in British Columbia: Evaluating the Role of Fintech</i>	Clements
<i>Basic Income, Financial Literacy, and Financial Capability: How Do We Get Better Alignment?</i>	Robson and Shaban
<i>Income Assistance Trends, Dynamics, and Policy Implications</i>	Green, Hicks, Warburton, and Warburton
<i>Basic Income: Characteristics Related to Presence in and Absence from the Tax System</i>	Green, Gutierrez, Milligan, and Snowberg
<b>2. Grasping the state of basic income knowledge</b>	
<i>Basic Income in Canada: Principles and Design Features</i>	Tedds, Crisan, and Petit
<i>Recent Political Manifesto Commitments to Basic Income in Canada</i>	Tedds and Crisan
<i>Basic Income Experimentation Yesterday and Today: Challenges, Achievements, and Lessons</i>	Simpson

<i>Evaluating the Existing Basic Income Simulation Literature</i>	Tedds and Crisan
<b>Studying the current system of income and social supports</b>	
<b>3. Mapping and analyzing the system of income and social supports</b>	
<i>Overview of the System of Income and Social Support Programs in British Columbia</i>	Petit and Tedds
<i>Programs-Based Overview of Income and Social Support Programs for Working-Age Persons in British Columbia</i>	Petit and Tedds
<i>In-Kind versus Cash Benefits in Social Programs: Choices, Structures, and Delivery</i>	Kesselman and Mendelson
<i>How and When to Pay? Income Assistance (or Basic Income) as a System of Financial Transactions and Services</i>	Robson and Shaban
<i>Self-Employment and British Columbia's Poverty Reduction Strategy</i>	Lester
<i>Participation Tax Rates in British Columbia</i>	Milligan
<i>Government Sponsored Training and Employment Programs</i>	Sweetman
<b>4. Who does the system serve (or not)?</b>	
<i>Income Assistance Trends, Dynamics, and Policy Implications</i>	Green, Hicks, Warburton and Warburton
<i>Interactions between Income and Social Support Programs in British Columbia</i>	Petit and Tedds
<i>User Experience of the System: A Qualitative Analysis of the Access Issues Encountered by Clients of the British Columbia Social Assistance System</i>	Hertz, Gray, and Leslie
<i>Gender-Based Analysis Plus (GBA+) of the Current System of Income and Social Supports in British Columbia</i>	Petit and Tedds
<i>A Note on SingleAdult Poverty in B.C.</i>	Green

<b>Evaluating the (potential) impacts of a basic income</b>	
<b>5. Assessing an existing Canadian cash-transfer program</b>	
<i>Evaluating the Canada Child Benefit</i>	Baker, Kroft, and Stabile
<i>How Did the Canada Child Benefit Affect Household Spending?</i>	Najjarrezaparast and Pendakur
<i>Cash Transfers and Child Outcomes</i>	Jones and Stabile
<b>6. Analyzing the potential of a basic income</b>	
<i>Evaluating the Existing Basic Income Simulation Literature</i>	Tedds and Crisan
<i>Basic Income Simulations for the Province of British Columbia</i>	Green, Kesselman, Tedds, Crisan, and Petit
<i>Homelessness and Poverty in British Columbia.</i>	Kneebone and Wilkins
<i>Trends in the Labour Market and Their Implications for a Basic Income</i>	Green
<i>Labour Supply Issues Related to a Basic Income and Income Assistance</i>	Green
<i>Claims Made for or about a Basic Income</i>	Green
<i>Self-Employment and British Columbia's Poverty Reduction Strategy</i>	Lester
<i>Does a Universal Basic Income Reduce Labour Supply for All Groups?: Evidence from Canada's Negative Income Tax Experiment</i>	Riddell and Riddell
<i>Gender-Based Analysis Plus of Two Policy Alternatives: Basic Income and Basic Services</i>	Cameron and Tedds

## Looking to the future: Considering reform options

### 7. Contextualizing future reforms

*Financing the Future: Options for Long-Run Debt and Spending Sustainability in British Columbia* Tombe

### 8. Considering reforms along basic income lines

*Systems-Level Reforms to British Columbia's Income and Social Support Programs Along Basic Income Lines* Petit and Tedds

*Income Assistance in British Columbia: Reforms along Basic Income Lines* Petit and Tedds

*Income Support and the Affordability of Housing in British Columbia* Kneebone and Wilkins

*Applying a Basic Income Lens to British Columbia's Demand-Side Housing Programs* Mendelson and Kesselman

*Earnings Supplementation for British Columbia: Pros, Cons, and Structure* Petit and Kesselman

*Reforms to Earnings Supplement Programs in British Columbia: Making Work Pay for Low-Income Workers* Petit and Kesselman

*Reform of Child Benefits for British Columbians* Kesselman

### 9. Assessing design and delivery considerations

*How and When to Pay? Income Assistance (or Basic Income) as a System of Financial Transactions and Services* Robson and Shaban

*Basic Income, Financial Literacy, and Financial Capability: How Do We Get Better Alignment?* Robson and Shaban

*Financial Inclusion in British Columbia: Evaluating the Role of Fintech* Clements

## Part 3: Background

*Characteristics Related to Presence in and Absence from the Tax System*

Green, Gutierrez, Milligan, and  
Snowberg

*Design Choice for Income-Transfer Programs: Structural, Economic, and  
Operational Aspects*

Kesselman

*Designing a Basic Income: Lessons from the Optimal Income Tax Literature*

Boadway and Cuff

*In-Kind versus Cash Benefits in Social Programs: Choices, Structure and Delivery*

Kesselman and Mendelson

*User Experiences of the System: A Qualitative Analysis of the Access Issues  
Encountered by Clients*

Hertz, Gray, and Leslie

### 6.3 Public survey

Our social justice framework requires a policy regime that will engender public trust, two key aspects of which are policy stability and reciprocity. The former attribute means that policies will not be fundamentally altered with changes in government because they have strong public acceptance. The latter attribute means that the policy regime will create a society of mutual respect, including respect for the public who are financially supporting programs through their taxes. A reformed social and income support system without those attributes and the desired characteristics for beneficiaries will not move us closer to a just society.

In order to assess whether a prospective basic income would engender public trust in British Columbians, a survey and research study were undertaken for the panel in mid-2020 (Johnston et al., 2020). The online survey was conducted in two stages, with each using a separate sample of approximately 2,000 respondents. The first survey was designed to elicit opinions on variants of a basic income, comparing a universal basic income (UBI) with an income-conditioned benefit, varying the amount of the income guarantee, and also varying the benefit reduction rate (and with it the break-even point). This survey further asked whether the basic income should officially target people with disabilities, be labelled as a housing supplement, or alternatively target renters.

The first survey made no mention of program cost or potential tax increases. The researchers found support for a basic income to be “quite high.” Respondents were asked to rank their opinion on a scale from 0 to 100; the mean rating was over 60 for a UBI and over 70 for an income-tested basic income. Somewhat surprisingly, that support varied little with other dimensions—even when varying the guarantee amount from \$5,000 to \$20,000 per year for a single person or limiting benefits to people with disabilities. When the benefits were described as targeting renters, support declined somewhat.

A national survey by the Angus Reid Institute (2020) on Canadian attitudes toward a basic income with a guarantee ranging between \$10,000 and \$30,000 similarly found that support was twice as high as opposition when there was no mention of the tax increases needed to finance the program.<sup>27</sup> However, the Angus Reid survey reported that nearly two-thirds of respondents in their national poll would not support a basic

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<sup>27</sup> The Angus Reid Institute survey's sample size drawn from B.C. residents was much smaller than the sample for our survey, so we report on its nationwide results.



### Part 3: Background

income if they had to pay higher taxes to finance the scheme, with no indication of which taxes would increase.

In the second survey, the most popular versions of a basic income identified in the first survey—an income-tested basic income with guarantees ranging from \$5,000 to \$10,000—were presented to a separate sample of British Columbians. Cost information, varying from citing total program costs to presenting estimates of the increase in B.C. income taxes the respondent would face based on their income, was also provided to some respondents. Simply citing the cost for an income-tested basic income to the government reduced respondents' average support slightly compared to those for whom costs were not mentioned within the second survey. However, when the cost was expressed as an estimated tax increase for the individual respondent, average support for a basic income declined to the point where those in support and those opposed were about equal. For those with incomes above \$65,000, opposition outnumbered support significantly.<sup>28</sup>

Overall, the B.C. survey results show strong support for an income-tested basic income when the costs of the program are not made concrete at the level of individual tax hikes, and conditioning program eligibility on renter status or disability does not significantly affect the support levels. However, when respondents are confronted with the higher income taxes needed to finance such a program, their average support for a basic income declines to about neutral and is negative for those with higher incomes. In short, these results indicate a need to take seriously the concerns of higher-income households if a basic income for B.C. is to satisfy the requisite conditions for public trust.

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<sup>28</sup> In the Angus Reid national survey, support for “some kind of guaranteed income” dropped even more sharply—to 36%—when respondents were asked whether they “would be willing to pay more in taxes” to finance it. For the same question in that survey, B.C. respondents had the highest remaining support rates of all regions, at 42%.

## 7. Conclusion

Part 3 has provided some useful context that is applicable to the analysis of both the current income and social support system and the potential implementation of a basic income for all. That includes background information on poverty that helps us to focus on the groups most in need of support in order to reduce poverty, background on potential sources of funding for new or reformed programs, background on the labour market, including wages and precarity especially for low-wage jobs, and an approach for describing and understanding the economic incentive implications of income-tested programs. In addition, we outlined our public engagement and research programs, including the results of a survey conducted on our behalf to gauge factors associated with public trust related to a basic income.

Despite the contextual nature of this material, it does provide us with some useful insights. Single working-age adults are the group with the highest poverty rates, including those both with and without children. B.C. is facing fiscal sustainability pressures that will need to be dealt with over the coming decades, and careful consideration and consultation is needed to evaluate the potential new sources of funding that would be needed to fund any major policy reform – basic income or other. There is no evidence of the technologically driven end of work that some basic income advocates believe a basic income would address. However, for the past two-and-a-half decades, precarious work has been at a high stable level, suggesting that regulatory changes aimed at improving wages and working conditions for low-wage and low-skill employees could significantly benefit workers in or near poverty. Income testing, whether of Income Assistance, a targeted service delivery program, or a potential basic income, all have the same types of work disincentive effects. Estimates of the responsiveness of labour supply to such disincentives do not imply large reductions in work overall, but impacts for some sub-groups warrant attention.

All of these insights ripple throughout the remainder of the report.

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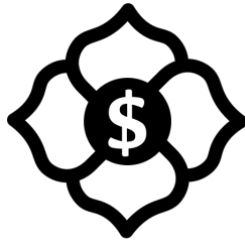
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## **Part 4: The Current System**

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### 1. Introduction

In Part 4, we define and describe British Columbia's current income and social support system; we then assess the system based on the analytical framework we developed in Part 2. These steps are important because they provide information necessary for both of the tasks set for us: to consider the viability of a basic income in B.C. and to consider how elements and principles of a basic income could be used to reform the current system. A good understanding of how the current system is structured and operates, as well as its strengths and weaknesses, is needed to be able to advise government as to whether a basic income would be a viable and effective reform to the system, as a replacement either for the system or for some elements of the system. This understanding is also obviously required to determine how the current system could be reformed to move B.C. toward a more just society, the objective we articulated in Part 2.

We proceed by first defining what we mean by the current system, the set of programs that provide income and social support in B.C. We then describe the system in detail. Next, we explore the trade-offs among our analytical framework characteristics that are inherent in the current system. We do that both at the system level and for important groups of programs to determine the strong points of the system and areas that could be improved to better align the system with our stated objective. Finally, we set out our conclusions about the current system.



## 2. Defining the B.C. income and social support system

We began by asking ourselves: What exactly is the B.C. income and social support system? While it is obvious that a number of programs provide income and social support, there is no sense within government or the user community that these programs work together as a system. Nor could we find anywhere a statement that indicates which programs are included in the system. We therefore needed to establish criteria to determine which programs are to be deemed part of the system and which programs are not.

The definition we used to determine which programs make up the system is as follows:

“The income and social support system” is the set of cash-transfer programs (income support programs) and in-kind benefit programs intended to benefit those in need because of limited resources (social supports).

Cash transfers provide people with additional financial resources to meet their needs without restrictions or conditions on how it is spent. In-kind benefits provide people with goods and services to meet specific needs, either directly or through subsidies or by cash that is conditional in how it is used.<sup>29</sup> The B.C. system, similar to the income and social support systems in every other Canadian province, is a combination of programs that provide both types of benefits.

In this report, we discuss basic services in several places, so it is important to be clear about how basic services relate to in-kind benefits under the income and social support system. Basic services are a set of publicly provided in-kind benefits that ensure that people have access to important basic needs of living. They generally include those associated with health, housing, education, security of people and property, transportation, and other needs.

Canada has, through its system of fiscal federalism, evolved a set of basic service programs mostly delivered by provinces but based on common national values. This approach reflects, in principle, the goals of self- and social respect at the heart of our justice objective and analytical framework. Universal medicare is perhaps the prime example of a basic service provided universally across Canada within a common set of standards and with national funding. It is delivered by the provinces, using their

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<sup>29</sup> Kesselman and Mendelson (2020) elaborate on the distinctions between cash and in-kind benefit formats and review the rationales that have been advanced for each format; see especially Box 1 of that study.

## Part 4: The Current System

discretion within the national standards to respond to local needs and priorities, and to determine the overall level of provincial resources to allocate. The same principle applies across a broad range of provincial social programs.

Not all basic service programs are part of the income and social support system as we define it. In fact, in terms of budgetary expenditure, the majority of basic service programs are not included under our definition of the income and social support system because they are not focused on those with limited resources and they provide services universally; medicare, K–12 and post-secondary education, criminal and civil justice systems, child protection and family services, and the transportation system are examples.

Even in the case of universal basic service programs, there are sometimes user costs associated with the service. In those cases, there are often programs focused on those with limited resources who require support to ensure that they have the full capacity to access the universal basic service. These are basic service programs that fall within our definition of the income and social support system. Examples are Medical Services Plan (MSP) supplementary benefits, housing subsidies, child care subsidies, and income-tested benefits under the Fair PharmaCare program. The common element is that eligibility depends on direct income testing<sup>30</sup> or on an indicator associated with limited resources, such as receiving Income Assistance.

In addition to these low income–focused basic services, the system includes cash-transfer programs with different delivery mechanisms and approaches. One of these, Income Assistance, combines cash transfers with in-kind benefits in the form of supplements that fund specific costs. Overall, the income and social support system in B.C. is a wide-ranging combination of cash transfer and basic service programs.

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<sup>30</sup> See Kesselman (2020a) for a general discussion and analysis of the use of income testing for the targeting of benefits of both the cash and in-kind varieties.

### 3. System description

This section is an abridged version of a paper commissioned as part of the panel's research program (Petit & Tedds, 2020d), together with some additional content. To provide a comprehensive understanding of the system, we examine it from a variety of perspectives, highlighting how the various levels of government target different groups and issues, and use different types of program approaches. This exercise includes detailing the agencies that administer the programs, whether the programs provide cash transfers or in-kind benefits, how much is spent, how benefits are accessed, how programs are delivered, what groups are targeted, whether and how programs are income-tested, and benefit levels.

In fact, even a cursory examination shows that this is a system only in the sense that all of the programs are consistent with our definition of the income and social support system. It was not designed as a system, and changes are more often than not made in the narrow context of a single program without considering impacts on the rest of the system. Nevertheless, because the programs often interact in their effects on users, analyzing the existing programs and potential changes within a system context is crucial, if challenging.

#### 3.1 Program administration

For the purposes of this work, we have focused on programs meeting our criterion that are provided by the provincial and federal governments. Programs offered by the non-profit sector without senior government funding are excluded because of complexity and resource limitations. Nevertheless, the non-profit sector can and does play an important role in helping vulnerable populations learn about, apply for, and access government-provided programs and benefits, in part because they are often more trusted than government agencies.

Our list of federal and provincial programs was obtained by consulting several sources, including a range of public documents,<sup>31</sup> and working closely with ministries and agencies to create a comprehensive understanding of how the programs work in

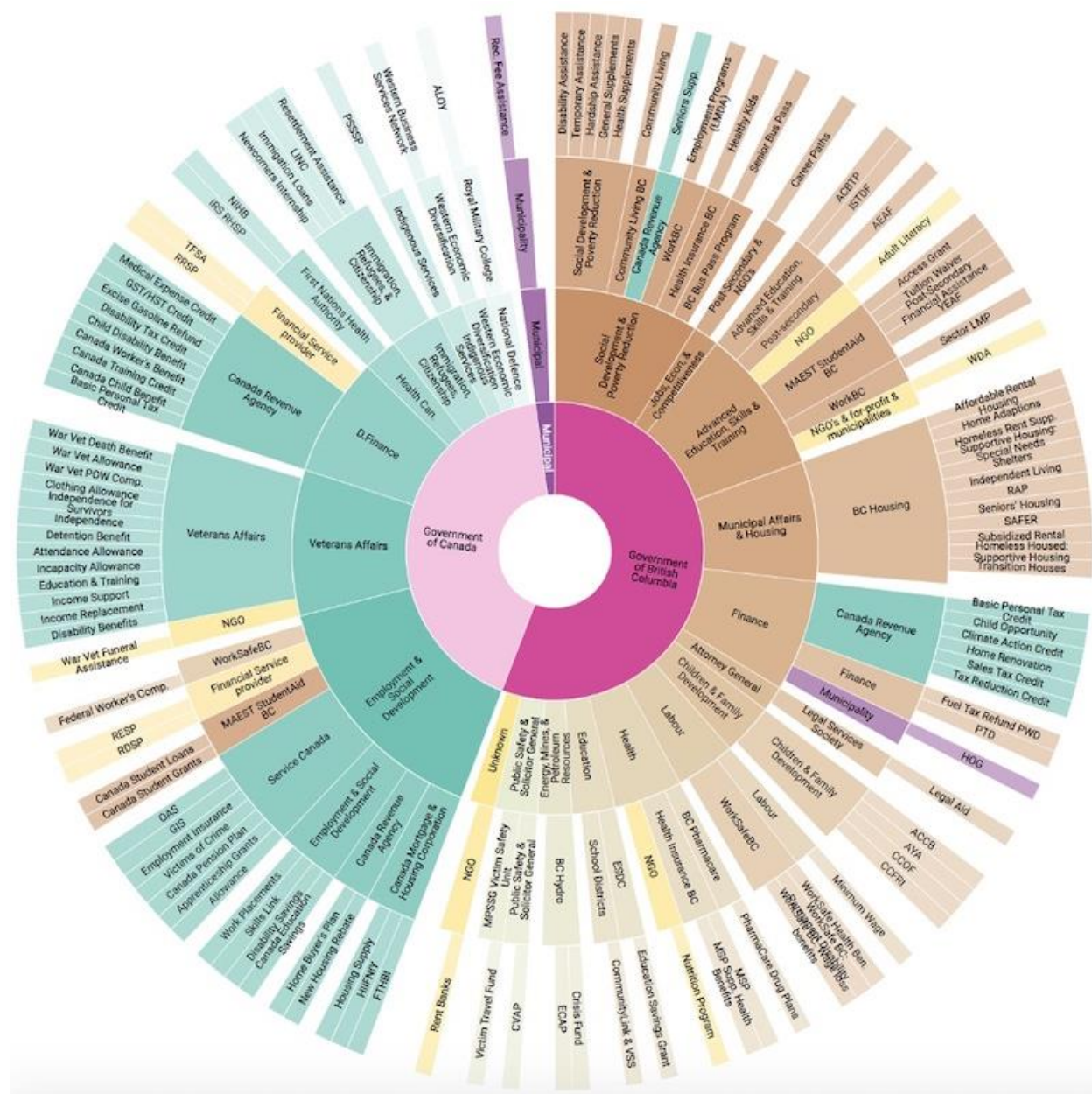
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<sup>31</sup> The Government of British Columbia's Poverty Reduction Strategy (Government of British Columbia, 2019c); the Government of Canada's Poverty Reduction Strategy (Government of Canada, 2018); B.C.'s *Budget 2019* (Government of British Columbia, 2019a); the 2019 federal budget (Government of Canada, 2019b); and the Government of Canada's Benefit Finder (Government of Canada, 2019a).

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practice and their costs. This work identified a total of 194 programs that were offered or planned to be offered to B.C. residents as of April 1, 2019.

*Figure 4-1: Income and social support programs in B.C., by administering body*



The full set of programs is shown in Figure 4-1, which is the first of several sunburst diagrams used to visualize the system from various perspectives. Each of these figures is linked to interactive versions that allow users to view them at higher resolution, see more details for each segment, and focus on the different groupings represented by

segments of the different rings. We encourage readers to use the interactive versions of the sunburst visualizations on the panel website<sup>32</sup> to explore further.

The rings in Figure 4-1 represent the governmental reporting hierarchy of program administration, which is one of the reasons why the system is so complex. The innermost ring shows the level of government (Canada, B.C., or municipal). The next ring shows ministerial-level responsibility, while the third ring from the centre shows the agency or type of agency that is administratively responsible: the ministry, department, agency, Crown corporation, non-governmental organization, or private sector entity that the applicant interacts with to access the program. Finally, the outermost ring presents the program or group of programs.<sup>33</sup>

Figure 4-1 shows the size and complexity of the system. B.C. offers 120 programs across 12 ministries through 23 different points of access. Additionally, the federal government provides 72 programs through eight different departments or agencies and 12 different points of access. At the municipal level, there is one program offered by nearly all municipalities in B.C.<sup>34</sup>

### 3.2 Programs by expenditure

In order to identify the largest income and social support programs, and who administers them, we next look at programs by expenditure. Figure 4-2 provides a visualization of the size of those programs for which we have expenditure data.<sup>35</sup> Like in Figure 4-1, the second ring from the centre in Figure 4-2 is the responsible agency/ministry/department, and the third ring from the centre is the administering agency.

The Government of British Columbia allocates just over \$11 billion to its 120 programs. The largest program by expenditure offered by the B.C. government is Income Assistance (IA)—including both Disability Assistance (DA) and Temporary Assistance (TA)—administered by the Ministry of Social Development and Poverty Reduction. The B.C. government spent about \$2.5 billion in 2019/20 on IA, including \$1.5 billion for

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<sup>32</sup> Visualizations can be found at <http://www.bcbasicincomepanel.ca/>

<sup>33</sup> Program groups at the federal level: Employment Insurance, Canadian Pension Plan, apprenticeship grants, Allowances, Canada Education Savings Grants, and Canada Disability Savings Grants. Program groups at the provincial level: Medical Services Plan, general supplements, health supplements, Labour Market Development Agreements, Workforce Development Agreements, Student Aid, the home owner grant, and Fair PharmaCare.

<sup>34</sup> This is not to say that this is the only municipal program that is offered to support people in poverty, but rather that this is the only program that is offered consistently by every municipality in B.C.

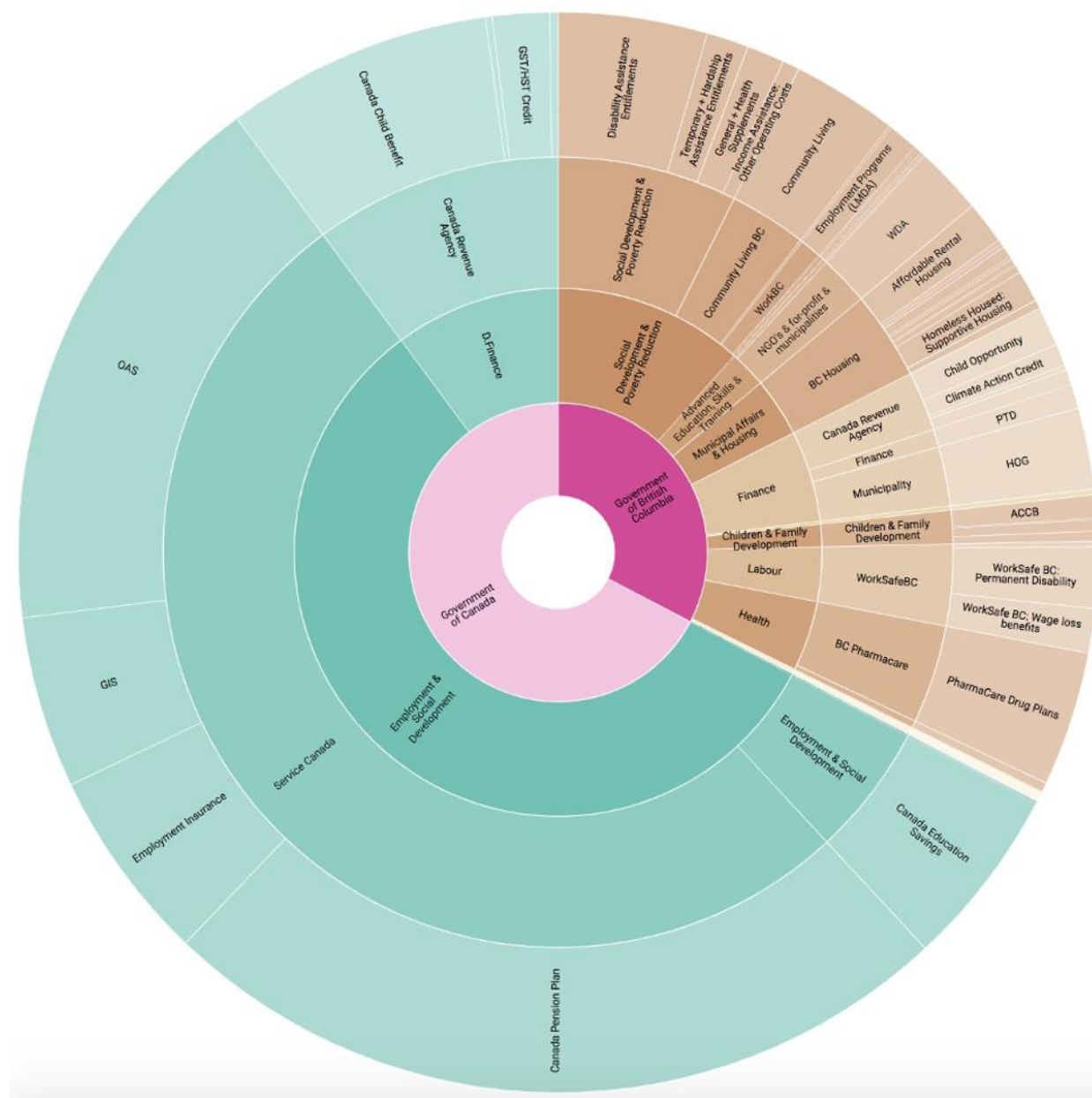
<sup>35</sup> For some provincial programs and many federal programs we do not have program-specific spending figures.



## Part 4: The Current System

entitlements for DA, \$424.6 million for entitlements for TA, and an additional \$170 million for administration, operating, and appeals. These IA figures include both cash benefits and supplemental in-kind benefits. Other large programs offered by the B.C. government include Community Living BC, on which \$1.1 billion was spent in 2019/20, the home owner grant at \$817 million (2018/19), and Fair PharmaCare at a cost of \$765 million in 2019/20. The B.C. government has also budgeted \$1.2 billion for housing programs in 2019/20.

*Figure 4-2: Income and social support programs in B.C., by expenditure*



## Part 4: The Current System

Among those federal programs for which we have expenditure data, the largest federal programs are all administered by either Service Canada or the Canada Revenue Agency. Of these, the Canada Pension Plan (CPP) retirement pension (as distinct from CPP disability benefits) is the largest program by expenditure, at a cost of about \$6.4 billion for B.C. residents. The second largest program is Old Age Security, at a cost of \$5.6 billion, followed by the Canada Child Benefit, at \$2.7 billion, and the Guaranteed Income Supplement for seniors, at \$1.7 billion. In addition, the federal government spends about \$2 billion on Employment Insurance (regular and special benefits combined). All of these figures relate to expenditures for B.C. residents alone.

The federal government's largest expenditure programs in B.C. target seniors. In fact, the expenditure on federal seniors' programs is larger than total B.C. government income and social support program spending. The spending on children through the Canada Child Benefit is also considerable. As a result, poverty rates and depths of poverty are lower for seniors and children than for working-age adults, as discussed in Part 3.

Table 4-1 provides a slightly different perspective on the cost of the income and social support system, focusing on the largest federal and provincial program areas by expenditure on B.C. residents.<sup>36</sup> While these are a subset of program areas that omit many individual programs, in aggregate they represent over \$30 billion in spending in B.C. by the two levels of government, with over two-thirds of the total spending by the federal government.

*Table 4-1: Expenditures for certain federal and provincial programs in B.C.*

Program	Cost (\$ millions)
<b>B.C. government programs</b>	
Income Assistance	2,459
PharmaCare	1,405
WorkSafeBC benefits	1,119
Community Living BC	1,065

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<sup>36</sup> Expenditures are for 2019/20 except for the B.C. Child Opportunity Benefit, which is the estimated amount for the first full year—2021/22.

## Part 4: The Current System

<b>Program</b>	<b>Cost (\$ millions)</b>
Employment and skill training programs	1,014
Low-income housing programs	976
Child-care programs	450
B.C. Child Opportunity Benefit	400
<b>Federal government programs</b>	
Old Age Security/Guaranteed Income Supplement	7,376
Canada Pension Plan	7,326
Canada Child Benefit	2,689
Employment Insurance	1,860
Canada Education Saving Grant	1,679
Canada Pension Plan disability benefits	758
GST/HST credit	573
Canada Workers Benefit	300



While the federal programs are all delivered by two agencies and focus largely on seniors and children, there is much more diversity in the major provincial program areas:

- IA is the largest program and is a complex hybrid of cash transfers and in-kind benefits delivered to those eligible for either TA or DA, with cash transfers and eligibility for in-kind supplements reduced sharply as other income is earned.
- PharmaCare provides income-tested support (in-kind benefits) for the cost of prescription drugs, ranging from full coverage for those with low income to coverage reduced by deductibles that rise with income to a maximum of \$10,000 annually, providing universal coverage above that maximum cost.
- WorkSafeBC provides compensation to injured workers, including coverage for occupational diseases, as well as regulating workplace health and safety, as part of a historic bargain between workers and employers to avoid resolving such matters through the courts, fully funded by premiums levied on employers.
- Community Living BC provides community-based long-term support (in-kind benefits) for those with developmental disabilities.
- Employment and skill-training programs provide a range of services (in-kind benefits) intended to enhance labour market attachment and facilitate transitions. Programs generally depend on employment status.
- Low-income housing programs are a diverse set of demand- and supply-side housing programs (in-kind benefits) with a variety of mechanisms and approaches to income testing.

### *Box 4-1: Method of delivery*

#### *Cash transfers*

**Pure cash transfer:** cash benefits not linked to any actual expenses incurred or to be incurred

**Refundable tax credit:** cash benefits delivered through the tax system, paid regardless of whether income tax is owing

**Non-refundable tax credit:** reductions to taxes owing, but once taxes are reduced to zero, the remainder is not paid to the tax filer

#### *In-kind benefits*

**Cash geared to cost:** cash benefits tied to an actual expense to be incurred (e.g., rent).

**Bill repayment:** cash benefits tied to an expense paid in the past (e.g., home renovations)

**Pure in-kind:** goods or services directly provided by the program, with or without a contribution from the beneficiary (e.g., health, education)

**Services:** funding to a third party, such as an employer or partnership, for an activity that benefits society but is not included in the list above

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- Child-care programs include programs (in-kind benefits) designed to increase the supply of child care spaces in B.C. and to subsidize the cost of child care for low-income parents.
- The B.C. Child Opportunity Benefit is a refundable tax credit (cash transfer) providing support to parents that phases out as income increases. Two other refundable tax credits with relatively low benefits are labelled as related to sales tax and climate action but are cash benefits.

Several of these program areas are compared with our analytical framework in Section 4.

### **3.3 Programs by method of delivery**

For this section we have expanded on the basic cash-transfer versus in-kind benefit dichotomy to create a finer breakdown of the method of delivery, shown in Box 4-1. (See Kesselman & Mendelson (2020) for more on in-kind benefit delivery options.) Figure 4-3 provides a visual representation of the programs by method of delivery, and Figure 4-4 shows only the provincial programs by program target and method of delivery. An important insight made obvious by Figure 4-3 is that the most common method of delivery for provincial programs is pure in-kind, while for federal programs it is pure cash transfers.

## Part 4: The Current System

Figure 4-3: Income and social support programs in B.C., by method of delivery

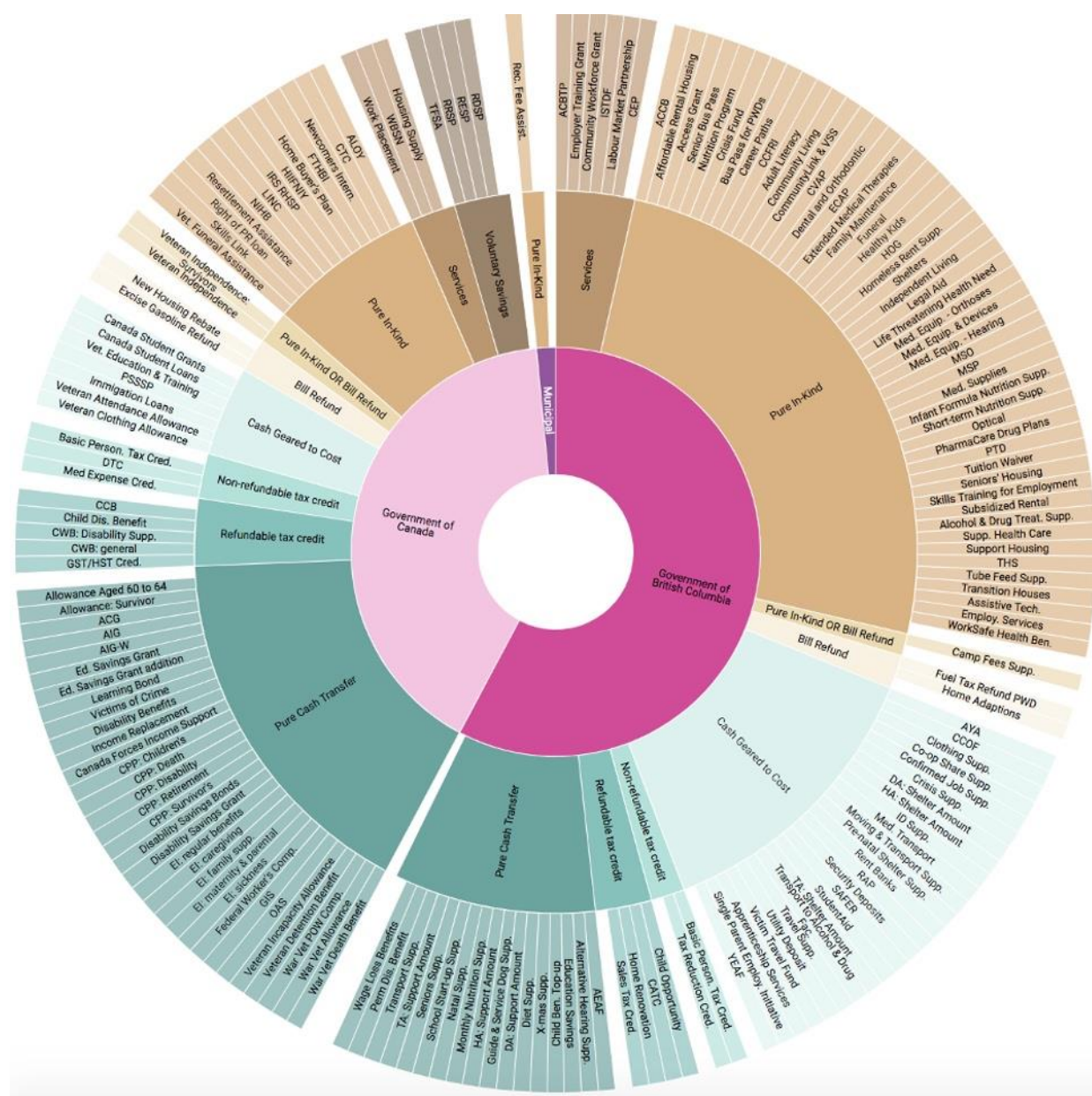


Figure 4-4 shows that B.C. delivers benefits to its most common targets—medical/health and housing programs—as in-kind benefits (pure in-kind, cash geared to cost, or bill refunds). There are good reasons to have such a preference. In a research paper commissioned by the panel, Kesselman and Mendelson (2020) suggest that positive social benefits stem from this method of delivery: housing and health care are “merit” goods that have strong taxpayer support for their funding and consumption.

## Part 4: The Current System

Figure 4-4: Government of B.C. programs, by method of delivery and program target



In-kind benefits also allow for better targeting with generally applicable cash transfers to meet special needs that would not be affordable for individuals to cover. For medical/health programs, this is particularly true where protection is required against low-likelihood, but high-cost events. In addition, the state can use bulk procurement to reduce the cost of many goods and services, in contrast to what individuals would have to pay if these were purchased by them. Finally, for low-income persons, housing costs and medical/health costs can be a large proportion of their household budget. Simply



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providing cash with no strings attached, such as a basic income, could result in insufficient funds when they are most needed, requiring low-income households to resort to solutions such as borrowing from predatory lenders. Ensuring that supports are available to cover basic needs with relatively high costs, such as housing and medical/health costs, can help break the cycle of poverty.

As noted above, Income Assistance is a hybrid program. It provides pure cash transfers in the form of the support allowance that people can use as they choose, although that choice is limited by their overall lack of resources. It also provides access to a suite of in-kind supplements. These benefits include the shelter allowance that requires evidence of housing costs and other benefits that can be accessed to address adverse events and specific types of additional costs that would be devastating if not covered when they occur. Even the autonomy associated with cash-transfer portion of IA is, in some cases, limited by providing individuals who are unable to manage their funds with assistance, such as weekly or daily allocations of funds from their monthly payments, or direct payment of the shelter allowance to a landlord. As discussed later, the linkage of in-kind supplements to IA eligibility provides a strong incentive to maintain IA eligibility by limiting earned income, contributing to the “welfare wall.”

### 3.4 Benefit levels

We now consider the adequacy of overall benefits provided by cash-transfer programs. Figure 4-5 and Figure 4-6 compare annual cash-transfer amounts available in B.C. for various family types who qualify for Temporary Assistance and Disability Assistance, respectively, compared with the Market Basket Measure (MBM) poverty line for each family type for Vancouver in 2017. In both figures, the number in orange is the amount of benefit as a percentage of the MBM available to a B.C. resident who has no other income. The number in purple is the value of benefits available to a B.C. resident as a percentage of the MBM at the point where benefits are at their maximum.

The transfers included are:

- IA payments
- Canada Workers Benefit
- Canada Child Benefit
- GST/HST credit
- B.C. Child Opportunity Benefit

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- B.C. climate action tax credit
- B.C. sales tax credit
- Transportation Supplement provided to all DA recipients (those with the Persons with Disabilities designation).<sup>37</sup>

For the sake of analysis, we assume that recipients of these benefit programs receive the full benefit amounts despite the fact that barriers to access mean that many do not receive all applicable benefits, and, for simplicity, we assume that the full shelter amount is included in the IA benefit. Amounts and other details are program provisions for working-age adults in 2019, except the B.C. Child Opportunity Benefit (COB) which took effect in October 2020.

### **Working-age adults without children**

Figure 4-5 shows that single adults have the lowest levels of benefits. They receive \$9,640/year in benefits if they have no other income,<sup>38</sup> approximately 48% of what it would cost to secure a basic standard of living in Vancouver as measured by the MBM. If they were to accept a part-time job (20 hours/week) at minimum wage at the time (\$13.85/hour), their benefits would drop to \$1,785/year, and the combination of benefits and income would represent about 81% of the cost of a basic standard of living in Vancouver in 2017. They would have to work at least 26 hours a week at minimum wage to secure the MBM standard of living.<sup>39</sup> The situation for couples without children is very similar in terms of cash-transfer amounts relative to the MBM poverty line.

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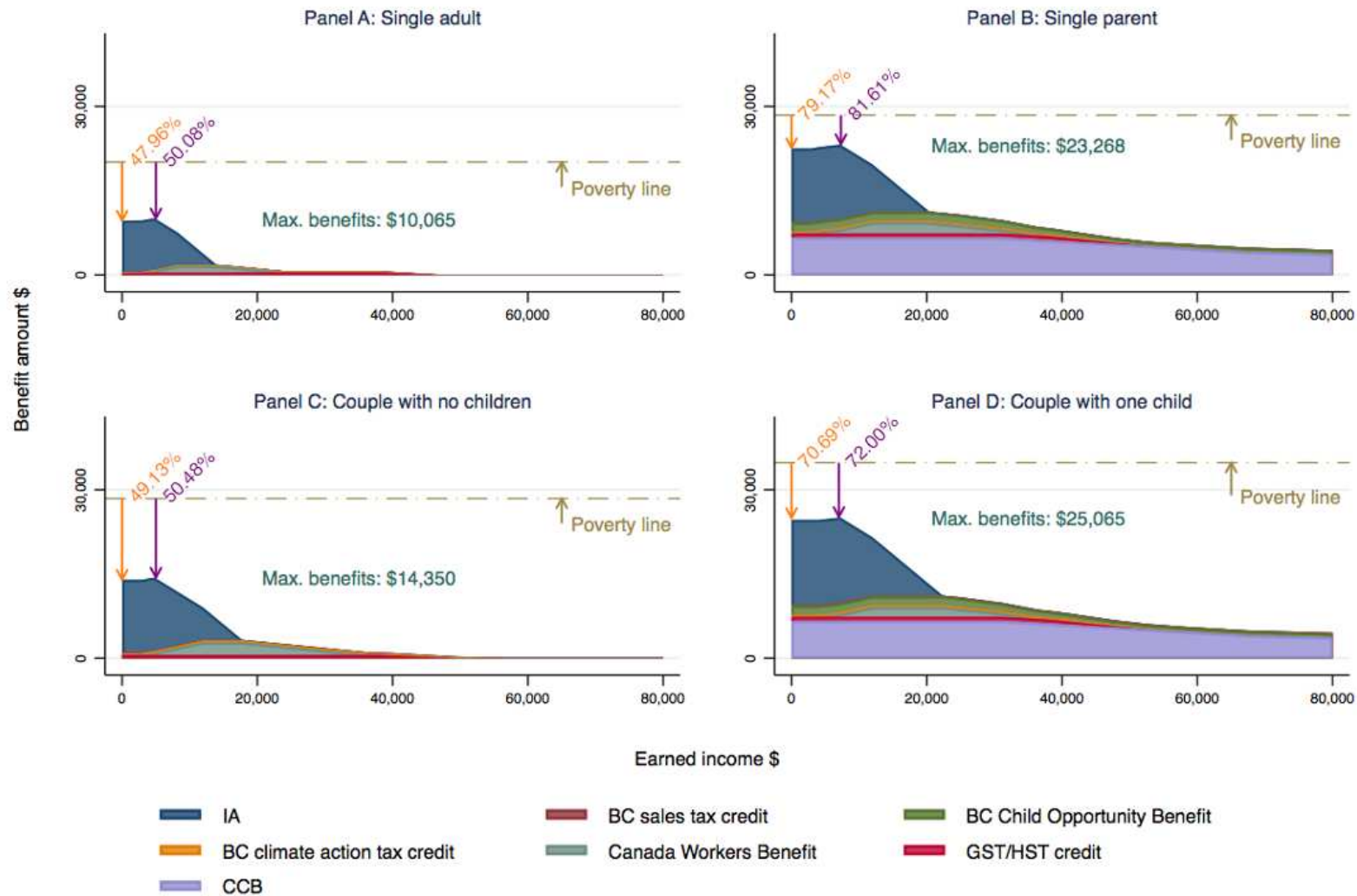
<sup>37</sup> This analysis excludes in-kind benefits, non-refundable tax credits, and most IA general and health supplements, as these are difficult to quantify and the amount received varies widely among recipients, as well as social insurance programs, such as Employment Insurance, workers' compensation, and CPP, which depend on individual-specific circumstances.

<sup>38</sup> Note that maximum level of benefits is reached at about \$5,000 of income due to the Canada Workers Benefit (a wage subsidy) for a maximum of \$10,065 noted on Figure 4-5 Panel A. Throughout this section we quote the benefit amounts associated with earning no other income rather than the maximum benefit amounts.

<sup>39</sup> This does not take into account potential taxes on these earnings, so more than 26 hours of work would be needed when taxes are included.

## Part 4: The Current System

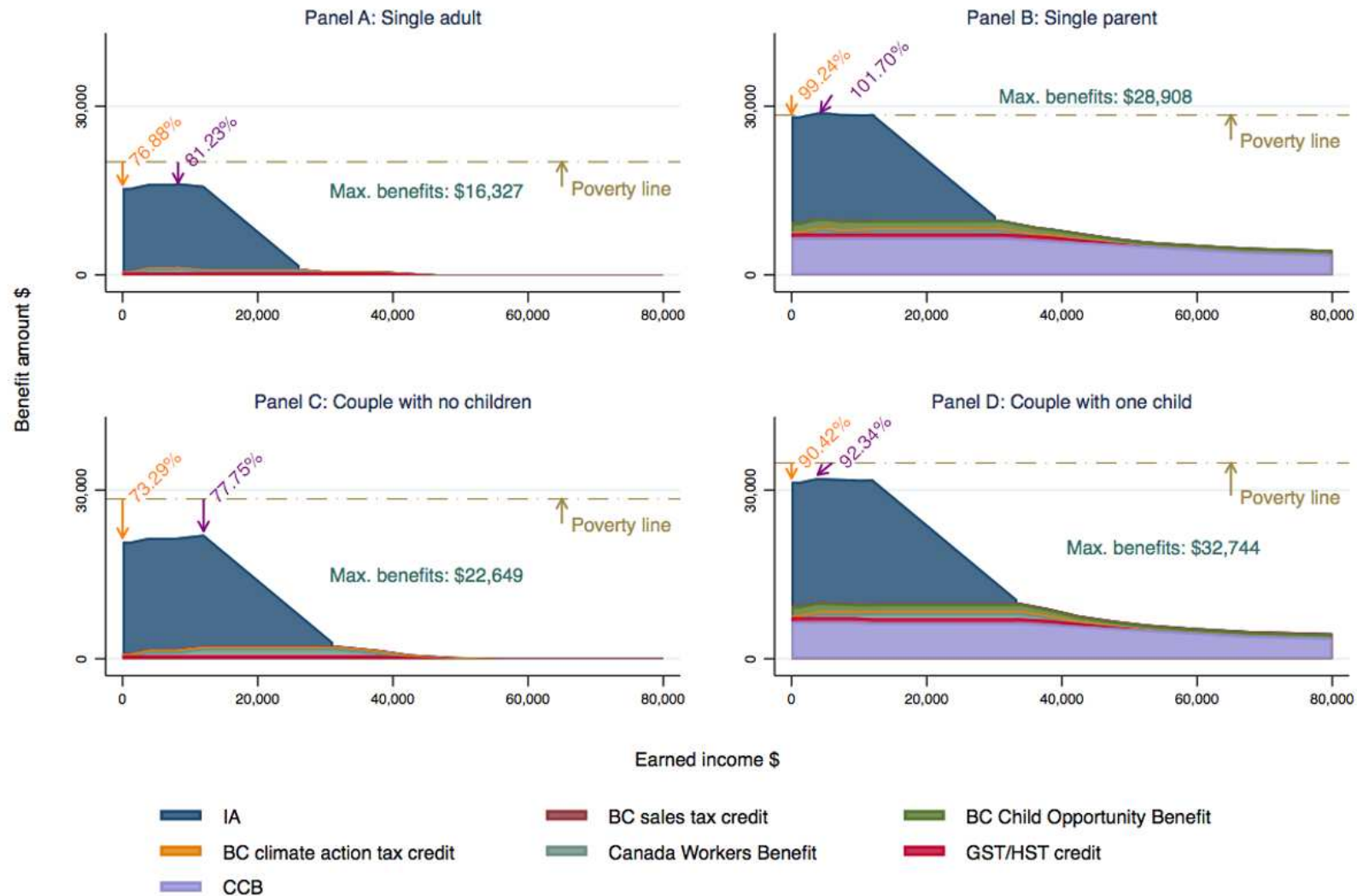
Figure 4-5: Cash transfers for those not eligible for Disability Assistance, 2019



Includes program interactions. Author calculated using Kevin Milligan (2019), Canadian Tax and Credit Simulator (2019 working version).

## Part 4: The Current System

Figure 4-6: Cash transfers for those eligible for Disability Assistance, 2019



Includes program interactions. Author calculated using Kevin Milligan (2019), Canadian Tax and Credit Simulator (2019 working version).



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For single adults, these benefit levels are worrisome. As discussed in Part 3, Section 2 (Poverty in British Columbia), single adults in B.C. have the highest poverty rates and are the deepest in poverty. The benefits currently available to single adults are very low compared with the poverty threshold. Even after securing a part-time job, it is a challenge for single adults to move above the poverty line.

Despite similar relative cash-transfer levels, the situation for childless couples is less worrisome because couples have the lowest incidence and depths of poverty. However, for those who are living in poverty, cash-transfer levels are low compared with the poverty line.

### **Working-age parents**

Parents receive a significantly higher level of benefits than adults without children, largely due to the Canada Child Benefit and the B.C. Child Opportunity Benefit. Canada's system of child benefits has been credited with contributing more to the decline of single-parent poverty than labour market income (Hoynes & Stabile, 2019).

Benefit levels for single parents and couples with children are higher and closer to the MBM than for single adults and couples without children. Single parents with one child and no other income are offered up to \$22,503/year in benefits, about 79% of the applicable MBM threshold. Couples with one child are offered up to \$24,609/year, about 71% of their MBM threshold.

### **People with disabilities**

Those with disabilities who are eligible for higher benefits are brought closer to the MBM threshold than people who are not eligible for Disability Assistance. Couples with no children, no other sources of income, and one person with a Persons With Disability designation receive up to \$15,453/year, about 77% of their MBM threshold, and couples where both people have a disability receive \$20,834/year, about 73% of their threshold. For families with children and no other sources of income, single parents receive \$28,208/year, about 99% of their MBM threshold, and couples with one child receive \$31,479/year, about 90% of their threshold. However, those with a disability face both higher costs that are not measured by the MBM framework and significant employment barriers, including higher employment-related costs. As a result, the adequacy of benefit levels for those with disabilities cannot be fully assessed by simply comparing maximum cash-transfer levels with the MBM poverty line.

### 3.5 Institutional framework

It is notable that the federal and provincial governments use different institutional frameworks for the administration of programs. The largest federal programs noted above (i.e., Old Age Security/Guaranteed Income Supplement, the Canada Child Benefit, Employment Insurance, and the Canada Pension Plan) are delivered by either the Canada Revenue Agency (CRA) or Service Canada.

The CRA delivers programs such as the Canada Child Benefit and the Canada Workers Benefit in the form of refundable tax credits delivered through the personal income tax system. Delivering programs this way offers two advantages: low levels of stigma as compared with provincially delivered income support programs (Tedds, 2017); and stable, predictable levels of support, since benefit levels are assessed only once a year (i.e., at tax-filing time).

However, CRA delivery of benefits also has drawbacks, as noted by Tedds (2017) and as explored in more detail in Part 5, Section 5 (Claims Made For or About a Basic Income). The most significant is that these benefits may be difficult for vulnerable populations to access because they require tax filing. Since the CRA requires only those who owe taxes to file a return, persons who are owed benefits are not sought out by the CRA. In addition, tax filing in general is complex, and some people are reluctant to file because of unresolved taxation problems from previous periods, such as taxes and penalties owing. In addition, applying for credits often requires providing supporting documentation that can be challenging to obtain and maintain for those in precarious circumstances. Green, Gutierrez et al. (2020) use linked tax, Census and death record data to show that between 3 and 6.6% of the Canadian population are not known to the tax system at all. Added to the people who do not file taxes in a year, between 11% and 15% of the population are either not in the tax system at all or do not file taxes in a year. These findings complement those in Robson and Schultz (2020) who find that approximately 12% of respondents to a Statistics

#### Box 4-2: Methods of access

**Self-initiated—form:** online or paper form completed by applicant

**Self-initiated—third-party provider:** application through contact with a third-party provider

**Self-initiated—administrator:** application through contact with administering agency

**Caseworker:** application submitted through a program official, such as an IA EAW

**Tax filing—application:** specific application within filed tax return

**Tax filing—automatic:** eligibility automatically assessed on tax filing

**Automatic with other self-initiated application:** eligibility automatically assessed if person is in a parent program

**Automatic:** no action required to apply

**Third-party:** funding of the costs of third parties that deliver benefits or services

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Canada survey did not file taxes in the survey year. In addition, the stability of payments noted above is a double-edged sword, as it means that CRA-administered programs are unresponsive to fluctuations in income during the year.

Service Canada is a one-stop shop for federal social insurance cash-transfer programs,<sup>40</sup> such as Employment Insurance, Canada Pension Plan, and Old Age Security/Guaranteed Income Supplement (OAS/GIS). These program benefits can be applied for online or in person and some, such as OAS/GIS, have automatic enrolment for tax filers when they turn 65, with the option to defer the start of benefits. Employment Insurance is designed to respond quickly to changes in circumstances. Additionally, since Service Canada provides integrated service delivery for federal programs, it informs potential recipients of other federal programs they may be eligible for and is more client-oriented than the CRA. Service Canada programs have lower levels of stigma than traditional income support programs because they are entitlement programs, some of which require employee contributions for eligibility.

Provincial income and social support programs are, in contrast, delivered through a larger mix of institutions, including both provincial and federal agencies, with no common interface or point of contact. Program delivery is much more decentralized than it is for the federal government programs: B.C. does not have a one-stop shop like Service Canada for income and social support programs.<sup>41</sup> Some programs are grouped. All of Income Assistance, including supplements, are administered by the Ministry of Social Development and Poverty Reduction except on-reserve; all provincial labour market-related programs are administered by WorkBC; and the CRA administers personal income tax credits, whether refundable or non-refundable, on behalf of B.C. The rest of the programs are delivered by a bewildering array of agencies.

This leads to complexity and barriers to access resulting from differences in the definition of income used for income testing, eligibility criteria used to gain access to programs that target the same group, such as those with disabilities, and a limited ability

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<sup>40</sup> Public insurance programs that protect against economic risks, including unemployment, disability and other medical conditions, and old age. Some of these programs (such as Employment Insurance and CPP) require mandatory contributions from employees in order to be eligible for benefits when needed.

<sup>41</sup> Although there is a provincial agency called Service BC, it has a very different mandate from Service Canada. Service BC provides services such as registrations (i.e., corporate, court, transplant, etc.), licensing (i.e., liquor, etc.), property-related services, and vital statistics services, with specific services differing by location. Service BC provides some specific services related to social programs including IA, but services are limited in scope (such as providing computer access) and limited to specific smaller, rural, or remote communities. See <https://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/ministries/citizens-services/servicebc> for more information.

of people in the system to inform users and applicants about other programs for which they may qualify. The lack of coordination and multiple access points forces those in need to navigate through a complex array of access points for the supports they need. Not only do potential recipients have to collect their own information on programs for which they may be eligible, but if they move or experience a life transition, they must inform all of the administrative agencies they deal with of the change. If they fail to do this, they could potentially lose or be required to repay benefits.

### 3.6 Method of access

As noted above, navigating the system is difficult due to its complexity. This is especially evident when viewed from the perspective of how different programs are accessed. Nine different methods of application for benefits have been identified (see Box 4-2), ranging from self-initiated to automatic. Figure 4-7 shows federal and B.C. income and social support programs sorted by their method of access.

The majority of programs are self-initiated—by filling out a form or contacting the administrator or a third-party provider. A person must act to find out about the programs and initiate the application on their own. For vulnerable populations, there are many barriers to taking action, from lack of internet access to specific personal circumstances.

All parts of the Income Assistance system, the most significant B.C. program, are accessible only through employment and assistance workers (EAWs), including both IA cash transfers and the set of supplementary benefits that are generally available only to IA recipients.

Cash transfers start with online applications that generally require interaction with EAWs to proceed. Supplements can typically be accessed only once cash benefits have been applied for and are accessible only directly through EAWs.

The supplements provide the range of in-kind and emergency support responsiveness needed to make it possible for IA recipients to survive on limited IA benefits. Information on general and health supplements is publicly available online in the *BC Employment and Assistance Policy and Procedures Manual*,<sup>42</sup> which can be used by recipients to determine if they may be eligible for supplements.

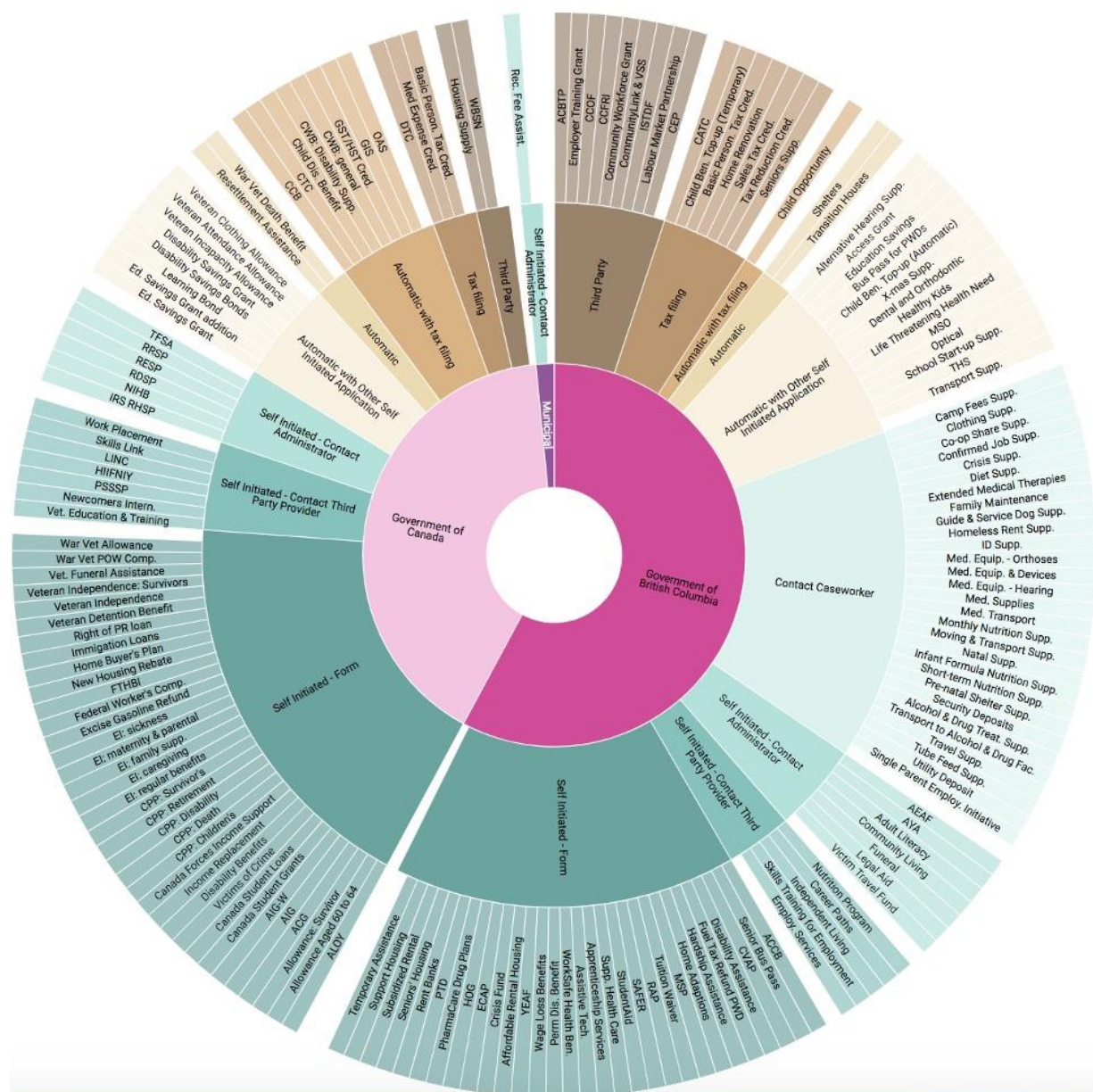
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<sup>42</sup> See <https://www2.gov.bc.ca/gov/content/governments/policies-for-government/bcea-policy-and-procedure-manual>. While the information is available, it may be difficult for at least some recipients to use in practice to determine whether they are likely to be eligible, leaving it to EAWs to advise a beneficiary about their eligibility for particular supplements.



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Figure 4-7: Income and social support programs in B.C., by method of access



However, access to most supplements is fully dependent on the recipient contacting the ministry to submit a request through an EAW. For some supplements, specific supporting documentation may be required.

For example, crisis supplements are assessed by the EAW directly, as are requests for moving, transportation, and security deposits. For health-related supplementary assistance, most requests are received through the EAW and then adjudicated for eligibility by a specialized team. Generally, some initial eligibility review is performed by the EAW in order to ensure the person is likely eligible. Note that eligibility for some

## Part 4: The Current System

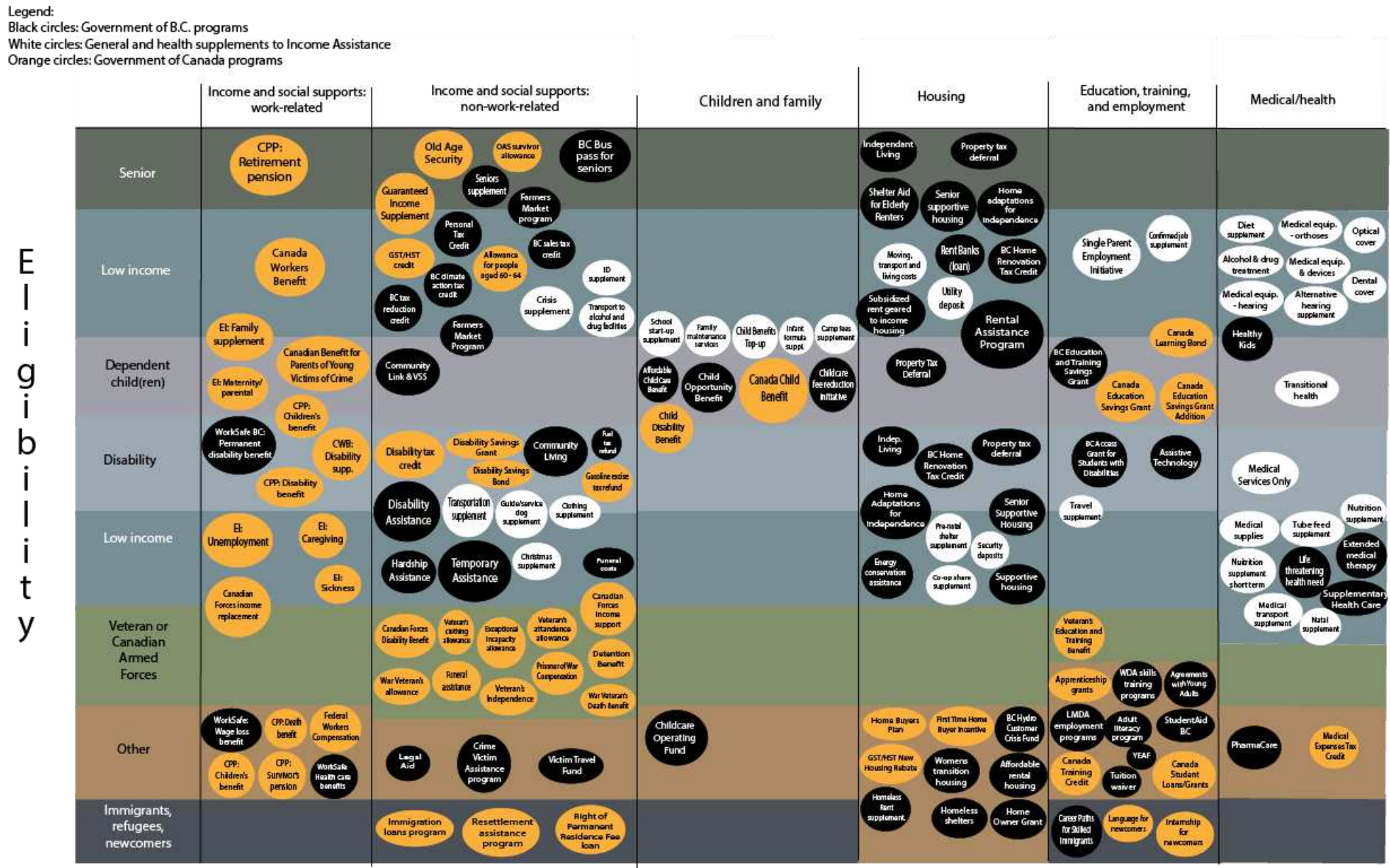
supplements differs between TA and DA recipients. Some health supplements can be requested directly by the person's health professional.

As noted above, several benefits are tax credits that are accessible only by filing an income tax return. There are many barriers to access related to tax filing, especially for vulnerable populations, as discussed above. Eligibility for some tax credits, such as the disability tax credit, are also gateway requirements for other programs that target the same population. In addition, some programs that are accessed by other means, such as direct application, indirectly require tax filing, since CRA data is used for income-testing purposes. While this is a consistent, verified way to access income, it imports all the barriers associated with tax filing for these programs.

A final access method is through automatic access with other self-initiated applications. This access method is rare but is a potential way to reduce barriers to access. Automatic access to a program based on eligibility for another program is difficult in the current system because of barriers resulting from differing eligibility criteria and income-testing parameters. Legal impediments may also arise to sharing of information across agencies targeting the same populations.

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Figure 4-8: Programs by program target and eligibility





### 3.7 Program targeting and eligibility

Two dimensions of the system provide insight when examined together—the targeted policy area and the eligible demographic groups. Boxes 4-3 and 4-4 describe the categories used for each. At first glance, it is natural to expect that these are just two ways of expressing the same concept, but it turns out that there are some interesting exceptions.

Figure 4-8 provides a visual representation of B.C. income and social support programs by program target and eligibility. The complexity of the diagram simply reflects, once again, the complexity of the system. It is important to keep a few points in mind while examining the figure. Programs are represented by colour-coded circles—generally, black circles are B.C. programs and yellow circles are federal programs. However, IA supplements cover such a wide range of policy areas that they are identified by their own colour, white. Programs that have more than one eligibility criterion are placed on the line between the two criteria but doing so created difficulty in representing all of the programs, necessitating the appearance of “low income” eligibility criteria in two different rows. The width of some rows varies across the figure, to accommodate the number of programs in certain cells. (Circle size is only to accommodate names.)

Figure 4-9 provides a visual representation of only those programs for which we have expenditure data, by program target and expenditures: the size of the program slice indicates the relative size of expenditures.

Together these figures put the B.C. and federal programs into sharp contrast. Federal programs are weighted heavily toward seniors and children, plus work-related Employment Insurance, non-work-related GST/HST tax credits, and Canada Education Savings Grants. In contrast, B.C. has a large number of programs, with considerably more diversity

#### Box 4-3: Program targets

**Work-related:** programs that provide support during times of disruption in employment

**Non-work-related:** programs that provide support to those with inadequate income

**Children and families:** programs that support children

**Housing:** programs that support adequate housing

**Education, training, and employment:** programs that support post-secondary education, job training, and employment

**Medical/health:** programs that support medical and health needs

#### Box 4-4: Broad eligibility categories

**Low income:** eligibility limited to those with income of \$50,000 or less

**Senior:** eligibility limited to those 65 or older

**Disability:** eligibility limited to those having a disability; definitions of disability differ across programs

**Veteran or Canadian Armed Forces:** eligibility limited to veterans and current or former Canadian Armed Forces members

**Immigrant/refugee:** eligibility limited to refugees, and current and recent immigrants

**Other:** other eligibility requirements



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in terms of their policy area targets. The areas with the highest spending are non-work-related, medical/health programs, housing programs, and education, training, and employment programs.

The federal government offers many programs for veterans and immigrants as well as supports for seniors that are not work-related. In contrast, the provincial government has more programs for low-income persons and families with dependent children.

Two specific aspects of eligibility should be addressed separately: disability eligibility and income testing.

*Figure 4-9: Programs by program target and expenditure*



### Disability eligibility

Programs for persons with disabilities are more evenly split between the levels of government. In terms of the number of programs for persons with disabilities, the federal government offers mostly work-related, tax-administered programs and savings-matching programs. The provincial government offers more housing and education/employment programs. However, this does not mean that every person with a disability can access all of these programs. There are nearly as many definitions of disability as there are programs for persons with disabilities.

Table 4-2 provides a summary of the definitions of disability for several of the larger programs that target persons with disabilities. It shows that very few programs offer support for persons with episodic disabilities, with the focus being on providing support for those with long-term, continuous disabilities. The most restrictive B.C. disability definitions apply to Community Living BC and Home Adaptations for Independence, which target persons with very specific disabilities (i.e., developmental disabilities or an ability-related disability, respectively) to serve a very particular need (i.e., social inclusion and access within own home, respectively). The more general Disability Assistance PWD definition, on the other hand, is consistent with a program that covers a broader swath of the population, providing both income support and in-kind services for people with needs that vary considerably.

At the federal level, the two largest programs for persons with disabilities, Canada Pension Plan disability benefits (CPP-D) and the disability tax credit (DTC), both have very restrictive eligibility requirements compared to DA, and the DTC is not a refundable tax credit so has little or no direct value to those with low income but it is used by the federal government to determine eligibility for other programs, such as a Registered Disability Savings Plan. Both are available only to persons with continuous, longer-term disabilities. Many people with disabilities and unmet needs who do not qualify for the federal programs either receive nothing or must rely on IA or DA. IA has a much higher level of stigma than either the CPP-D or the DTC.

### Income testing

Income testing is a common feature of income and social support programs. A program is income-tested if a person's income must be below a threshold amount to be eligible or if benefits are reduced as income increases. For all income-tested programs, exactly what is and is not included in income is very important, and it varies widely, as shown in Table 4-3. Most programs use an income definition that is a combination of amounts found in the annual personal income tax return, including all of those delivered through

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the tax system and several others as well. That makes sense because tax reporting is consistent and verifiable. However, many permutations are used by other programs, and some use altogether different calculations.

IA is the biggest outlier, directly collecting data on *all* income sources—including sources of income that are not reported for provincial income tax purposes such as gifts, prescribed prizes, and lottery winnings. This makes IA applications not only more intrusive but also more complex to navigate. Furthermore, the legislation includes a detailed list of forms of compensation considered as income, which must be updated on an ongoing basis to avoid unfair inadvertent exclusion of new categories of compensation.

The way IA payments are treated for the purposes of income-testing other benefit programs and phasing-out the benefit as income rises, is also inconsistent, as indicated in Table 4-3. On the T1 income tax return, social assistance payments, including IA, are included in the calculation of “total income” (line 15000) and remain part of “net income” (line 23600). They are then deducted in determining “taxable income” (line 26000) so that they are not subject to income tax.

*Table 4-2: Definitions of disability for certain programs*

	<b>Federal programs</b>		<b>Provincial programs</b>		
	<b>CPP disability benefits</b>	<b>Disability tax credit</b>	<b>Disability Assistance</b>	<b>Community Living BC</b>	<b>Home Adaptations for Independence</b>
<b>Include physical disability?</b>	Yes	Yes	Yes	No	Yes
<b>Include mental disability?</b>	Yes	Yes	Yes	Yes—developmental disability only	Unclear
<b>Include episodic disability?</b>	No	No—must have disability at least 90% of time	Yes—“Impairment ... restricts ability continuously or periodically”	No	No
<b>If eligible for one program, then also eligible for this program?</b>	No	No	Yes, CPP-D, CLBC, MCFD’s At Home Program or MSP Palliative Care Benefits	No	Yes—if eligible for the disability tax credit (no other proof necessary)
<b>Length of time disability expected to last</b>	“long duration and of indefinite duration or is likely to result in death”	At least 12 months	At least 2 years	Permanent, started before the age of 18	Permanent
<b>Impact on employment?</b>	“is incapable regularly of pursuing any substantially gainful occupation”				

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<b>Impact on daily living?</b>		Restricted in two or more of the basic activities or in vision plus one activity. Basic activities include speaking, eating, walking, eliminating, feeding, dressing, and mental functions for everyday life.	“directly and significantly”		Permanent disability or loss of ability that affects safe and independent living in own home
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*Table 4-3: Definitions of income for certain income-tested programs*

Program	Government	Program target	Income definition
Canada Child Benefit	Canada	Children and families	<p>Net income (line 23600) of applicant and spouse</p> <ul style="list-style-type: none"> <li>– UCCB income</li> <li>– RDSP income</li> <li>+ UCCB amount repaid</li> <li>+ RDSP amount repaid</li> </ul> <hr/> <p>= Household Adjusted Family Net Income</p>
B.C. Child Opportunity Benefit	B.C.	Children and families	
Canada Workers Benefit	Canada	Work-related	
B.C. climate action tax credit	B.C.	Non-work-related	
B.C. sales tax credit	B.C.	Non-work-related	
Affordable Child Care Benefit	B.C.	Children and families	<p>Total income (line 15000) of applicant and spouse</p> <ul style="list-style-type: none"> <li>– provincial social assistance (line 14500)</li> <li>– (2000*[number of family members – 2])</li> <li>– (3000*[number of children with special needs])</li> </ul>

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Program	Government	Program target	Income definition
Income Assistance (including Temporary Assistance and Disability Assistance)	B.C.	Non-work-related	[Earned Income – Deductions from Earned Income (e.g., EI + CPP contributions, income tax) – Exempt Earnings] + [Unearned Income (e.g., EI, CPP) – Deductions from Unearned Income – Exempt Unearned Income] <sup>43</sup>
Old Age Security	Canada	Non-work-related	Net income before adjustments (line 23400) (includes IA payments)
Guaranteed Income Supplement	Canada	Non-work-related	Net income (line 23600) – OAS income (line 11300) – provincial social assistance (line 14500) – GIS income (line 14600)
B.C. Senior's Supplement	B.C.		
Allowance for the Survivor/persons aged 60–64	Canada		
Rental Assistance Program	B.C.	Housing	Total income (line 15000) of applicant and spouse + ongoing funds from non-taxable sources (e.g., spousal support payments, alimony, on-reserve income)
Shelter Aid for Elderly Renters	B.C.	Housing	Total income (line 15000) of applicant and spouse – BC Bus Pass for seniors

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<sup>43</sup> Note that this is the income definition used for the calculation of benefits. Each part of this income definition is defined at length in the *BC Employment and Assistance Regulation* (B.C. Reg. 259/2020) and may or may not correspond to a specific line on tax forms. For example, “earned income” is defined in s. (1) of the Regulation and includes “any money or value received in exchange for work or the provision of a service, pension plan contributions that are refunded..., money or value received from providing room and board at a person’s place of residence, money or value received from renting rooms that are common to and part of a person’s place of residence.” Although this definition of earned income includes earned income reported in line 10100 (employment income) and 12600 (rental income), among other lines, it also includes earned income not reported, such as income earned “under the table.”

Four of the five programs that target seniors with low incomes (Guaranteed Income Supplement, B.C. Senior's Supplement, Allowance for the Survivor, and Shelter Aid for Elderly Renters<sup>44</sup>) deduct social assistance in their income definitions ensuring that benefits are not reduced as a result of having received IA benefits. But the Canada Workers Benefit, the B.C. sales tax credit, and the B.C. climate action tax credit, which all target low-income persons, do not deduct social assistance benefits in their measures used for income-testing, with the result that those receiving IA benefits have their refundable tax credit payments reduced. It is not clear what public policy objective is achieved by doing so.

In summary, there is no consistent definition of income across programs for the purposes of income testing. Some programs appear to use a definition of income that is consistent with the eligibility group they target (i.e., low-income), but not all do. Most programs use a definition of income that can be obtained from provincial income tax data, but not all do. This situation contributes to the confusion among applicants when applying (or considering whether to apply) for these programs.

### 3.8 Conclusion

This section has provided a sketch of an extensive set of programs covering a range of cash-transfer and in-kind benefits. These programs address many of the basic needs of people with limited resources, at least in part—their adequacy is discussed in the next section. But the set of programs is not recognized by users or administrators as a system. As a result, there are evident gaps, overlaps, and inconsistencies in program design with no obvious purpose. Programs interact with each other in ways that are often not recognized or addressed through program design. The complexity and sheer number of siloed administrative delivery agencies itself creates barriers to access that could be reduced through coordination, co-operation, and better information sharing, not to mention the accessibility benefits of simplifying the programs themselves. Accessibility is also discussed in the next section.

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<sup>44</sup> Note that IA recipients are not eligible for SAFER, but applicants may have received IA previously, so that IA payments are deducted in applying the SAFER income test

## 4. Analysis of the income and social support system

Given this complex and inconsistent set of programs, comparison of the system with our analytical framework presents something of a challenge. Before addressing the details of this comparison, we first discuss how this analysis fits with the tasks assigned to the panel.

Our first task as set out in the terms of reference is to “consider the viability of a basic income in BC and support the simulation of various basic income models in BC to identify impacts and financial implications.” That obviously requires a comprehensive examination of basic income, which we undertake in Part 5 of the report. Part 5 includes a comparison of basic income with our analytical framework, just as we are comparing the current system with the framework here.

However, this task cannot be done on the basis of an analysis of basic income in isolation from the current system. In our view, whether a basic income is a “viable” policy choice for B.C. depends on several factors beyond the principles, design elements, and implications of the basic income itself. The existing environment in which a basic income would potentially be implemented must also be understood. In addition, the strengths and weaknesses of both the current system and a basic income must be understood in order to determine whether implementing a basic income would be an improvement overall. We use our framework as a tool for comparing the alternatives on a consistent basis.

Our second task is to “look at BC’s existing income and social support system and how elements and principles of a basic income could be used to transform and enhance it.” This task establishes the alternative we are expected to consider. Thus, the ultimate question for us is this: Would it be better to implement a basic income or to reform the current system? However, that question is vague, since it leaves unsaid what is meant by “implementing a basic income.”

As will become clear in Part 5, basic income does not refer to a single program design, but a wide range of programs that share two common traits—all are cash-transfer programs and all are based on four basic income principles: respect, simplicity, economic security, and social inclusion. There are many design elements that must be specified to develop a specific basic income program. These can be divided into two broad groups: generally applicable basic incomes meant to provide everyone with cash transfers (either unconditionally or conditional only on income), and targeted basic incomes designed to provide cash transfers to people with specific characteristics, such as those with disabilities.



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In the context of our tasks, then, the essential choice is whether it would be better to implement a generally applicable basic income as the primary element of the provincial income and social support system, or to reform the system. In our view, this choice is best considered by applying our framework to ask which choice would result in the most improvement to the current system and progress toward our stated objective of creating a more just society.

The first step in completing these tasks is to provide a baseline analysis of where we are now, against which the potential improvement associated with the two choices can be compared. That is why, despite the fact that our first task is focused on basic income, we start by analyzing the current system.

In Part 2 we described the concrete characteristics that make up our analytical framework:

- Adequacy—programs that provide resources that are adequate to provide personal autonomy, directly related to poverty reduction
- Accessibility—programs that are simple and understandable, treat users with respect, and have low barriers to access
- Security—programs that provide stable, reliable support and enable future opportunity
- Responsiveness to personal change—programs that respond quickly when needed due to changes in personal circumstances
- Personal efficacy—programs that provide people with the ability to exercise their personal autonomy by making more opportunities available to them, enhancing social inclusion, and promoting socially beneficial activities
- Transition support—programs that create resiliency to economic disruption
- Public trust—programs that give users and funders a shared trust of their value to society, in terms of the fiscal cost, administrative efficiency, economic implications, and incentive effects of the program and the responsibility of beneficiaries to play an active contributory role in society

Obviously, these characteristics are often in conflict with each other, requiring trade-offs to achieve a balance among them. No program or system can perfectly address all of these characteristics, but they are useful in considering how systems and programs can be improved.

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In the following sections, we first analyze the current system as a whole, starting with three specific characteristics—*adequacy*, *accessibility*, and *transition support*. We feel that these are three characteristics that the system as a whole, as distinct from its individual programs, should facilitate. This point relates to both gaps in the system and cross-cutting system infrastructure that is or could be used by multiple programs to enhance the operation of the system.

Next, we examine selected programs and groups of programs that are part of the system. A comprehensive analysis of every program against a common set of characteristics would be unnecessarily extensive and repetitive. Instead, we have selected certain program areas to analyze, and for each we focus on the trade-offs among characteristics that suggest areas offering room for improvement.

### 4.1 System adequacy

The following sections will address accessibility across the system and assess individual programs against our analytical framework to determine how well the current system meets our stated objective of making B.C. a more just society. Our question here is more fundamental: are there basic needs that the system doesn't cover?

As noted, across Canada we have a system of basic services intended to address many important needs. Some of these needs are addressed through services that are universally accessible and some through services that are conditional on demonstrating unmet need. Usually that means using income testing, sometimes coupled with other eligibility requirements. We also have cash transfers, almost all of which depend on income.

Our system description in Section 3 provides a picture of what basic needs the current system is designed to address. It includes cash-transfer programs directed at seniors (Old Age Security/Guaranteed Income Supplement and B.C. Senior's Supplement) and children (Canada Child Benefit and B.C. Child Opportunity Benefit) that have been successful in significantly reducing poverty rates and depths of poverty. It includes basic services that provide protection for those with lower incomes in a number of areas, including prescription drug costs, health care, housing, child care, children and families, education, training, and employment.

There is also a mix of cash transfers and basic services targeting two important groups: working-age adults and those with disabilities. Our overview of poverty in B.C. in Part 3 indicates that both of these broad groups include some of the highest and most persistent rates of poverty in the province. Income Assistance is the primary, but not the

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only, provincial program directed at these two groups. It provides both cash transfers and in-kind benefits to address a range of basic needs for those who are eligible.

What is missing? Despite all of the existing programs, it appears that the segments of the population that get the least attention are childless single members of the working-age population and single parents, where poverty remains relatively endemic and difficult to eliminate. We think there are two main areas with program gaps whose remedy could help make a difference, especially when combined with improvements to the existing programs.

The first area relates to intergenerational persistent poverty, which has proven to be a cycle that is difficult to break. Child poverty is also closely associated with persistent and cyclical poverty, since children are affected by their parents' income shortfall. While the Ministry of Children and Family Development offers programs that target one of the groups most directly associated with this phenomenon, youth aging out of care, the programs are relatively narrowly focused in duration on the first few years of transition and leave out other vulnerable young adults. We believe that the lack of an integrated program of life-skills training and other related social supports combined with targeted cash transfers is an important gap in the system.

The second area relates to the dignity and accessibility of work. Paid work is not the only way for people to participate in and make valuable contributions to society, but it is highly valued by our society. It is an important source of dignity, personal autonomy, economic security, and adequate resources, as well as the satisfaction associated with making a contribution to society—in short, both self- and social respect. There are several programs focused on employment, primarily from the perspective of education, skills training, and job search/application skills. However, the gap we perceive is related to job precarity, barriers to work other than training and education, and the availability of jobs for those who are unsuited, temporarily or permanently, to standard employment but would nonetheless benefit from and want to work.

### 4.2 System accessibility

Our earlier description of the system answers the question of how accessible the system is, as a system. It is obvious that accessibility is key because, regardless of how well designed a program is in terms of achieving stated objectives, like poverty reduction, if those targeted by the programs cannot access them, the programs cannot be effective. Thus, before examining the programs themselves, we first consider the

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current system in terms of characteristics associated with accessibility: *simplicity*, *respectfulness*, and *low barriers to access*.

### Simplicity

We started our work with the impression that provincial income and social support systems in Canada are complex. However, that was shown to be a gross understatement by the sunburst diagrams in Section 3, which allow us to visualize the system. The sheer number of programs and diversity of delivery agencies and methods and types of benefits tell the whole story about lack of simplicity at the system level.

It is our belief that, to have a system consistent with our justice goal, we must provide both cash transfers to those in need and basic services that address diverse needs. In short, we owe each other more than just cash to spend. That directly implies the necessity for a variety of programs to provide a range of benefits, both cash and in-kind. Unless the entire system is replaced with one simple, central program like basic income, this means that at the system level, simplicity is likely to be traded off to some extent against other characteristics, such as adequacy, through the breadth of programs that make up the system. In Part 5 we discuss why we believe that even if a basic income were to be adopted as the core of the system, basic service programs would continue to be required.

Even in a system where the variety of programs creates a certain level of complexity, it is possible to have features of the system that can help reduce that complexity. Perhaps the most important is consistency in key program design features where possible and appropriate.

Cash-transfer and in-kind benefit programs often have two common features: eligibility criteria and benefits that are reduced as income increases. Eligibility is determined in most cases with reference to income and, depending on the program, criteria related to the group the program is intended to benefit.

Income is a parameter that is used in virtually every income and social support program, often for both eligibility and benefit amount purposes. Use of a common income definition where possible would help make the system as a whole simpler. However, as discussed earlier (see Table 4-3), a surprising number of income definitions are used by various programs, often with no obvious design reason for the differences. Even though most programs use amounts calculated as part of the T1 personal income tax form (Income Assistance is a notable outlier), there is little consistency in exactly what T1-calculated income amounts are used and how they are adjusted by adding or

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subtracting other amounts reported for income tax purposes. Not only does the complexity associated with many different income definitions make the system more confusing and difficult to navigate for users, but it can have real implications for the benefits received by recipients in different circumstances, creating unintended interactions among programs.

Non-income criteria associated with programs that target the same group but use different standards to determine eligibility are another source of complexity. There may be public policy reasons for having different criteria to determine whether someone qualifies as a member of a targeted group, but sometimes the differences do not seem to serve a clear public policy purpose. The example discussed in detail above is related to those with disabilities. This is a case where multiple federal and provincial programs use a wide range of definitions of disability (see Table 4-2). The result is not only difficulty in navigating the system but also the frustration of perceived unfairness as different definitions are applied by different agencies.

The unnecessary inconsistency in definitions across programs in the system affects accessibility by introducing complexity, but it also affects accessibility by reducing respectfulness and creating barriers to access.

### *Respectfulness*

Lack of respectfulness, or stigma, is a powerful behavioural impediment to accessibility that is most easily considered at the individual program level. Stigma is generated, among other ways, by relatively vague or subjective eligibility criteria, especially when there is considerable interaction with adjudicators and/or considerable discretion. That is, programs that delve deeply into applicants' and recipients' circumstances, where the outcome is not easily predicted, do not treat applicants respectfully. Another element of respectfulness, though, is making people aware of the benefits for which they are likely to qualify, which is a feature that would help make the overall system more respectful and accessible.

There is little or no information about how other income and social support system programs work and how their eligibility requirements are applied. Also, no mechanism exists for helping recipients of one program understand what other programs they may be eligible for and how to apply. From a system perspective, this is an important gap.

One approach to remedying this shortfall would be to have one central portal for program access. But that concept has several important drawbacks. The diversity of the basic service programs that make up the system means that there are important

legitimate differences in eligibility requirements, making one access portal unlikely to be effective or efficient. More worrying is the potential for applicants to be frozen out of the system as a whole at the first stage of application. In the United Kingdom, for example, several programs were merged under a single point of access, resulting in the disenfranchisement of many who were previously eligible for individual programs. Information and privacy considerations in Canada also make information sharing among programs challenging.

However, other approaches could be taken to enhance respectfulness to applicants and recipients without compromising their privacy or harming their potential eligibility for other programs. These involve equipping each program with the tools to provide people with relevant information about other programs based on the information the user has provided to the program, without sharing that information with anyone but the user. That could include simply informing people about other programs for which they may be eligible, or more actively providing people with fully or partially pre-populated applications that make it easier for users to apply for other relevant benefits.

### **Barriers to access and responsiveness to personal change**

Again, the question of barriers to access is best addressed on a program-by-program basis, given the impact that the details of program design can have on creating barriers to access. However, many programs share a feature that can both reduce barriers of access for many and inadvertently create major barriers for the most vulnerable - the use of income tax data by income and social support programs. The use of income tax data for benefits administration purposes also affects how responsive programs can be to changes in personal circumstances, a key characteristic associated with our justice objective, as well as accessibility and adequacy.

Over the past few decades, the personal income tax system has increasingly become a crucial element of the administrative infrastructure that enables income and social support programs across Canada to operate. As described earlier, with the exception of Income Assistance, cash-transfer programs use income tax data, and many are delivered directly through refundable tax credits. Most targeted basic service programs also use income tax data for eligibility and benefit-setting purposes.

Use of the income tax system for these purposes offers many advantages, the most obvious being that it provides a consistent, verified, and detailed set of data on the characteristics of personal income for every tax filer. It is also as close as Canada comes to having a registry of contact information for Canadians, which is required to deliver benefits to people. Of course, people seeking benefits can provide the

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information, but having access to verified information is an important means to enhance accessibility. For example, a key implicit assumption underlying the simple accessibility claims associated with universal basic incomes is that there is access to a verified registry of identification and contact information for everyone. The alternative of having to apply and verify identity and contact information, the program becomes considerably more complex than an automatic alternative.

As discussed above and in Part 5, Section 5 (Claims Made For or About a Basic Income), the income tax system also has two major drawbacks that are passed on to each benefit program that utilizes this infrastructure. There are two primary concerns. First, many of the vulnerable and those with the least income do not file tax returns, even though it would be in their best interest to do so for a variety of reasons, which either excludes them from or makes it more difficult to access most of the current programs. Second, the income tax system provides only annual income information and does not provide it for at least six months after the calendar year end, the point at which annual personal income is measured. Programs relying on that data to determine eligibility or the level of benefits can take up to 18 months to react to changes. In contrast, the IA programs requires recipients to report income frequently and can accept applications at any time, not just when taxes are filed, allowing it to be more responsive to personal changes than is possible under the current tax system.

The tax systems in several European jurisdictions demonstrate that a more responsive tax system is possible. Drawbacks of Canada's current tax system can and should be addressed through tax system reforms that reduce barriers to filing and increase responsiveness, for both tax administration and benefits administration reasons. Updating Canada's tax infrastructure alone would lead to a considerable improvement across the income and social support system, but the requisite reforms would fall almost entirely within federal jurisdiction on account of the tax collection agreement between B.C. and the federal government.

The tax collection agreement allows B.C. to delegate the administrative and operational arrangements for income tax almost completely to the Canada Revenue Agency. The downsides of the agreement are that B.C. must adhere to national definitions of taxable income and suffers the slow responsiveness of income reporting as well as high rates of non-filing by vulnerable populations. However, overcoming those deficiencies in a provincially operated tax administration would be extremely challenging for B.C. Also, the fact that major provincial and federal income and social support programs operate closely on an integrated federal-provincial tax system supports continuing with the agreement.

Nevertheless, the B.C. government is free to raise these issues with the federal and other provincial governments to influence changes that would facilitate the implementation of income-conditioned social benefits. The September 2020 throne speech (Governor General, 2020) indicated that “the Government will also work to introduce free, automatic tax filing for simple returns to ensure citizens receive the benefits they need”; this signals that the federal government is already pursuing one reform of a kind that would assist vulnerable person who now have low filing rates.

### 4.3 System transition support

The final characteristic that we apply to the overall system is transition support, the extent to which the system provides support specifically to those whose circumstances change due to economic disruptions that apply systematically to broad groups. Examples include disruptions of industries due to technological change and disruptions associated with other factors, such as children in care aging out.

One of the claims associated with basic income by advocates is that giving everyone money ensures that when people suffer a significant loss of income due an economic disruption, the loss will be cushioned by the cash transfer. The disruptions often mentioned by those arguing for basic income are unpredictable events like the current pandemic crisis and predicted reductions in the demand for workers due to artificial intelligence, increased automation, and the changing nature of work. Economic disruptions that put people into difficult circumstances, including dropping them into poverty, are regular occurrences, although few have ever rivalled the current global pandemic. Climate change has already affected several economic sectors and will continue to do so, especially those related to the extraction and use of fossil fuels.

The current system has only two programs designed specifically with transition support as one of its specific goals: Employment Insurance and some employment programs related to retraining. Employment Insurance will be discussed in more detail below, but its relatively narrow eligibility is notable, as pointed out in the discussion of labour market trends in Part 3. The fact that one federal response to the pandemic was the Canada Emergency Response Benefit (CERB), a cash-transfer program with much wider eligibility than Employment Insurance and with a philosophy of “trust then verify,” suggests that without reform, Employment Insurance is not currently an effective transition program. The federal government has indicated that reforms to the program are forthcoming.



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While people who experience significant losses of income due to economic disruption may qualify for other cash-transfer and basic service programs, two factors distinguish these situations. First, a substantial group of people find themselves in similar situations. Second, these people need cash to avoid falling into homelessness or otherwise losing the ability to make a transition in their lives, together with services that would help with that transition, which may include but are often not limited to training and housing supports.

It is notable that Income Assistance is not designed to be a transition program, given the income and assets tests that limit eligibility to those for whom the program is a last resort. Transition support, in contrast, is support for making a successful transition from one situation to another situation where a family or individual can be self-sustaining and have autonomy.

Another type of transition that represents a gap in the existing system is that faced by young adults who are in care or in low-income families as they move into adulthood. Recent years have seen an increasing recognition of the difficult transition that former children in care face with the sudden loss of support at age 19. Programs such as Agreements with Young Adults and free tuition at post-secondary institutions provide some transition support. However, no generally available program provides a combination of cash transfers and wraparound services designed to fully support transition for a group that usage statistics show has a high likelihood of becoming long-term and frequent IA recipients.

Another type of transition relates to women fleeing violence. There is funding for not-for-profit agencies that offer help and transition houses that provide immediate housing, but there is a gap in the funding and services available. In a pattern that is emerging from this analysis of the overall system, the current programs address only part of the issue, making it difficult for people to successfully transition through a difficult time to a result that provides them with dignity, security, and opportunity. For women fleeing violence, basic needs extend well beyond housing. These women often suffer traumatic brain injuries and other medical conditions that require treatment, time, and support to heal. They often have limited or no accessible resources but face barriers in accessing programs, including IA. They need both cash transfers and wraparound support services, similar to those described for young adults transitioning to full adulthood and those facing multiple barriers to work.

In summary, the current system has significant gaps related to the way it addresses transitions. Few programs are specifically intended to provide transition support, and

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several important groups have little or no access to specific transition support. Where there is support, too often it is focused on cash transfers. Also needed additionally for successful transitions are wraparound basic services to enable people to move with dignity to a new self-sufficiency.

## 5. Analysis of specific program groups

This section examines several programs or groups of income and social support programs in comparison with the analytical framework: Income Assistance, health-care services, housing programs, the home owner grant, child care programs, and the provincial Child Opportunity Benefit, together with other federal and provincial refundable tax credits. These programs collectively cover a large proportion of provincial and federal income and social support spending in B.C., and represent a range of cash-transfer and in-kind benefit program types. In particular the current system includes cash transfers that are targeted basic incomes and others that are not, as well as different types of basic service designs.

### 5.1 Income Assistance

Income Assistance is B.C.'s core social assistance program and is consistent in principle with provincial social assistance programs that have been in place across Canada for decades. These programs, including IA, are funders of last resort for people in need that are designed to limit access to those who have virtually no other income or wealth. As we shall see, that basic principle leads to policies that conflict with some of the key characteristics within our analytical framework such as adequacy and accessibility.

Prior to discussing the details, it is important to note two important pieces of context, the importance of changes to IA policy and how they affect respect and stigma.

#### IA policy changes

The program we describe is the IA program as it now stands, but it is not static. Small policy changes often have big impacts. Thus, we also discuss some of the major policy changes that have affected program delivery since the mid-1990s, first tightening eligibility and budgetary resources considerably up to 2017, at which point a renewed focus on poverty reduction led to changes designed to increase adequacy and accessibility.

Since 2017, the Province has passed historic poverty reduction legislation, including targets and timelines, and introduced B.C.'s first poverty reduction strategy (Government of British Columbia, 2019c). The strategy included a range of investments and initiatives from across government, including the introduction of the Child Opportunity Benefit; significant action on child care, housing and homelessness; increases to the minimum wage; and improvements to access and affordability of

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education and skills training. The strategy also contained important updates to the income and disability assistance program implemented since 2017, including increases of up to \$150 per month in monthly benefits plus increases in the earnings exemption of \$200 per month (TA) and \$2,400 per year (PWD) (which are due to increase again in January 2021). Additionally, in July 2019 and January 2020, a series of policy and regulation changes were made to the income and disability assistance program to remove barriers and better support clients, described later in this section.

The ministry has also made significant operational changes since 2017. These include implementing an accommodation alert for clients with disability or language barriers to help ensure appropriate service is provided; installing free, public Wi-Fi for clients in ministry and Service BC locations; expanding the services available online at My Self Serve; improving phone service, such as reducing the average phone wait times and adding the option to enter a callback number; and introducing an Advocate Client Enquiries process for advocates and the Public Guardian and Trustee to discuss multiple client cases.

In response to the COVID-19 pandemic, federal Employment Insurance benefits, including the \$2,000 Canada Emergency Response Benefit (CERB) and Canada Recovery Benefits (CRB) have been exempted from IA income testing provisions and do not affect benefit amounts. IA clients who are not eligible for the federal emergency support programs, including the CERB and CRB, have been provided an automatic \$300 monthly COVID-19 crisis supplement for the period April to December 2020, reduced to \$150 per month for January to March 2021. This supplement has also been provided to low-income seniors who receive the B.C. Senior's Supplement. Relief payments provided by First Nations bands and Indigenous organizations have also been exempted from income testing. Work-search and employment plan requirements have been temporarily waived. Operational changes have also been made to protect applicants, recipients and staff, and to align with provincial health officer guidelines.

### **The effect of policy on stigma and respect**

The second piece of context relates to the characteristic of respectfulness and the stigma that arises when people do not feel respected. As we discuss, that often arises because of relatively intrusive eligibility requirements and their adjudication. We want to be clear from the outset that our discussion of respect is a discussion of the policy framework and the operational processes that are necessary to implement those policies. It is easy to read these discussions as directed at the way public servants do

their jobs, but that is not what we intend—our focus is on the policies, not the people who are tasked with implementing them.

### **Summary of program features<sup>45</sup>**

Income Assistance provides both cash transfers and in-kind benefits. We consider in-kind benefits to be goods and services provided directly or indirectly and cash payments that are conditional on being spent in a particular way, whereas “cash transfers” are periodic payments that are conditional only on eligibility for the program and not restricted in any way on how they can be spent.

Within this categorization of benefits, IA provides a cash transfer to cover support (food, clothing, and other necessities) to eligible people; this support allowance is not intended to cover rent, which is covered by a separate shelter allowance. The support allowance is disbursed in the form of monthly payments for those who are eligible, with the payment amount determined by the amount of income received in the month, up to a break-even point beyond which eligibility is affected. The shelter allowance is an amount paid only for the actual shelter cost incurred by a recipient up to a maximum level. It thus assumes the character of an in-kind benefit, except that most IA beneficiaries spend more on rent than the shelter allowance maximum, so that for them it is like an unconditional cash benefit.<sup>46</sup>

IA also provides in-kind benefits in the form of supplements to cover the cost of specific types of immediate or ongoing needs. There are two kinds of supplements, general supplements and health supplements, with access limited to people currently or recently receiving cash benefits. General supplements cover a variety of special circumstances including: crisis grants for running out of food or loss of property; school start-up costs; guide dog costs; and security deposits. Some general supplements are one-time while others are continuing payments where the need is ongoing. Health supplements are extended health benefits that include health-care services and goods such as dental and eye care, such as medical supplies and equipment, and natal and nutritional supplements; some of which are accessed directly by health professionals through a third-party administrator. Income Assistance eligibility also automatically provides

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<sup>45</sup> Further information about Income Assistance can be found at

<https://www2.gov.bc.ca/gov/content/governments/policies-for-government/bcea-policy-and-procedure-manual>

<sup>46</sup> While disbursed as part of the cash payment under IA, shelter allowance can be regarded as in-kind benefit because it is conditional on having shelter costs, with the payment limited to actual rent incurred up to the maximum allowance. IA beneficiaries without shelter costs, such as homeless individuals, do not receive the shelter allowance portion of benefits.

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eligibility for other income and social support program benefits, such as 100% coverage under Fair PharmaCare and Medical Services Plan (MSP) supplementary benefits. Some of the main features are summarized below.

### **Income Assistance components**

The IA program has several components, primarily the following:

- **Temporary Assistance**—provides assistance to those who are in need and have no other financial resources. Other eligibility criteria apply including looking for and using all other sources of income and assets before applying for assistance. TA is further subdivided into three groups:
  - **Expected to Work (ETW)**—people who are found to have no impediment that prevents them from working, and who must undertake a mandatory work-search period prior to qualifying for benefits
  - **Temporarily excused from work** for a qualifying reason, including being the single parent with a young child
  - **Temporarily excused (medical)**—people who have a temporary medical condition that prevents them from working
- **Persons with Persistent Multiple Barriers (PPMB) to employment**—provides assistance to those who have a persistent medical condition as well as at least one other barrier to employment that seriously impedes their ability to work and who meet other eligibility criteria
- **Disability Assistance**—provides assistance to those who have been designated as a Person with Disabilities (PWD) as defined by the program and who meet other eligibility criteria

Of these groups, only the ETW group has a requirement to actively seek work, with a job-search period and a requirement to develop and comply with an employment plan. The job search period is currently three weeks, down from the previous five-week requirement, and can be completed prior to applying. There are several exemptions from the job search requirement, and hardship assistance can be provided to meet immediate needs before the job search is completed.

The other groups are all excused from the job search and employment plan requirements for varying periods of time. PWD and PPMB recipients are effectively excused indefinitely because in practice there are few reviews of their status. Despite that, recipients in these groups have indicated that they are concerned about having

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their status reviewed, because periodic reviews were a past feature of the system and are still possible.

### *Application process*

IA has a complex application process that can be challenging to navigate. However, it is worth noting that since 2017, the Ministry of Social Development and Poverty Reduction has implemented numerous operational and policy changes to reduce barriers and make it easier for applicants and clients to access assistance.

The ministry has three ways in which individuals can apply for income assistance:

- Online—self-directed from anywhere
- Online—staff-supported in an office, overriding the email address requirement
- Staff Assisted—staff complete the application with the applicant in an office or over the phone

All Ministry offices and Service BC locations have free, public Wi-Fi and computers available for applicants and clients to access My Self Serve during office hours. The ministry accommodates applicants who require language and American Sign Language interpreters.

The ministry has specialized intake processes to assist in streamlining Income Assistance applications for youth transitioning from care and underage Persons with Disability applicants, as well as applicants leaving correctional facilities, alcohol and drug facilities, and hospitals.

Applicants who are fleeing abuse or have an immediate need for food, shelter, or urgent medical attention are contacted within one business day. The ministry standard is that once an applicant submits a completed application, the ministry aims to contact the individual within five business days.

The process begins with an application for TA as an ETW, from which point eligibility for other components of the program may be pursued. Applications for PPMB and PWD require applications to be completed in part by health professionals.

While the number of ministry-specific offices has been reduced since the early 2000s, ministry staff continue to provide in person support through various ways, to support clients who are not able to access virtual or online ministry services. Partnership with Service BC has provided in-person ministry services in small rural communities that may not have had ministry services available in the past. In addition, the ministry

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expanded their in-person outreach services in 2019 by creating community integration specialist (CIS) positions. These new CIS positions were designed to bridge the gap between some of B.C.'s most vulnerable people and supports and services. CIS workers go into communities to connect people with their local agencies and organizations. These additional in-person resources have been successful in increasing take-up of the program by eligible vulnerable populations.

### *Eligibility criteria*

The eligibility criteria for IA include the specific criteria associated with each of the five different groups described above, as well as two significant eligibility tests—an income test and an asset test. Applicants must have income below the benefit level to apply and must have assets below the asset limit.

As mentioned earlier, IA is the only significant income and social support program that does not use income tax T1 definitions as the basis for measuring income. Rather, IA legislation has a unique set of definitions for the components of income, with the effect that many sources of funding that are not considered income for tax purposes are included in the IA income construct. That includes lottery wins, gifts, and benefits received from many other programs. The result is that applicants for and recipients of IA must carefully manage the amounts they receive from other sources in order to achieve and maintain eligibility.

Once a person is receiving benefits, they must report income monthly; if they are receiving DA, they need only report a change in their monthly income. Each group has a level of earned income that they may receive without affecting benefits. For all but DA recipients, this exemption level is a monthly amount; for DA it is an annual amount.

All recipients are required to pursue all potential sources of funding, whether earned income unless excused from seeking work, other benefits, or non-earned income sources. Income amounts in excess of the exemption level reduce monthly benefits dollar for dollar (i.e., a 100% benefit reduction rate). When the benefit is reduced to zero in a month, the recipient no longer is eligible for IA, although there is a period during which they can reapply using a streamlined process to effectively reinstate their IA status, if their income falls below the benefit level.

There is a difference between the income at which one becomes eligible for IA and the income at which eligibility is lost. To become eligible, income must be less than the maximum benefit level. Eligibility is lost if earnings exceeds the exemption level plus the



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maximum benefit. Once eligibility is lost, income must fall below the benefit level to regain eligibility.

The asset test also varies between those on DA and others, with a much stricter test for those not on DA in terms both the asset exemption level (\$5,000 and \$10,000 for TA; \$100,000 and \$200,000 for DA, depending on family structure) and the assets that are exempted from the asset test.<sup>47</sup> Because it often takes considerable time for DA applicants to have their PWD application completed by a medical practitioner and adjudicated, the asset test is not applied until the eligibility decision has been finalized.

Together, these eligibility tests combine to comprise a significant part of what is known as the welfare wall. The purpose of these and other aspects of the program is to ensure that IA is available only to those who have no other resources to meet their basic needs—no other source of funding that can be accessed or wealth that can be consumed. In other words, these apply the principle that IA is “the funder of last resort.” They create a wall to keep those with other options out, in order to minimize both the cost of the program and its impact on labour supply.

However, as discussed in detail below, these features, together with other elements of the program, also create a wall that is a barrier to leaving the program. Just earning enough to eliminate eligibility likely still does not fully cover basic needs but does subject the person to the risk that their income will again fall, and their lack of assets to fall back on means that they may be even worse off in the future, especially given the three-week job search requirement before regaining eligibility for benefits. On top of that, the loss of access to health and general supplements that IA eligibility gives recipients puts them at further risk of adverse events. That means that the welfare wall created to make sure only those who need benefits as a last resort are able to qualify, together with the loss of valuable in-kind protections, creates an even higher barrier to leaving for those already on benefits. Recipients who leave DA for employment can maintain access to most in-kind health supplements under Medical Services Only coverage. Similarly, parents who leave IA for employment are provided with 12 months of Transitional Health Services coverage.

Another requirement for gaining and maintaining eligibility for those required to seek employment is that they, together with an EAW, develop an employment plan and that they adhere to the plan. The plan outlines the steps the recipient plans to take to find

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<sup>47</sup> For details see <https://www2.gov.bc.ca/gov/content/governments/policies-for-government/bcea-policy-and-procedure-manual/bc-employment-and-assistance-rate-tables/asset-limits-table>

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employment. If a recipient refuses to make an employment plan or fails to comply with the plan, they can face reduced benefits or have their eligibility for benefits terminated. The monthly reporting requirement includes both reporting of income and reporting of employment-seeking activities, which can be compared with the employment plan.

In a gender-based analysis plus of the current system, Petit and Tedds (2020a) have identified employment plans for parents and people who work in certain occupations as problematic. Those who have responsibility for children under the age of three are excused from employment obligations under TA, but for those with children over that age, lack of child care is not an acceptable excuse for the inability to fulfill the requirements of an employment plan. For those whose employment opportunities tend not to be during regular weekday daytime hours, access to child care is often challenging, despite an increase in licensed daycare capacity, which is predominantly available during daytime weekday hours. The Single Parent Employment Initiative is intended to alleviate the issue through child care and training support, including post-secondary education for one year. But that is available only to a small percentage of the caseload and specifically does not include couples applying for IA where both have employment obligations.

One concern about these obligations is related to sex work, which despite being generally legal in Canada is often not accepted as part of an employment plan. This clearly discriminates against those who have that as an occupation.

### *The effect of eligibility policy on caseloads*

All of these eligibility criteria have been subject to change frequently, including changes to several features during the course of our work, and some of those changes have had significant impacts on caseloads.

Figure 4-10, excerpted from Petit and Tedds (2020g), shows that the size and makeup of the IA caseload has changed dramatically since 1995. The most significant trends are as follows:

- The ETW caseload fell sharply beginning between 1996 and 2007.
- The DA caseload has climbed steadily and at a surprisingly constant rate since 1995.
- Following a spike in 1997 that corresponded to a sharp decrease in the ETW caseload at the same time, the excused from work subcategory of TA has decreased as DA has increased.

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Green, Hicks et al. (2020) show that these trends are closely associated with specific eligibility policy changes implemented in 1996 and 2002, both intended to tighten eligibility criteria and increase the linkage to employment. In 1996 the major changes were to require non-disabled recipients to seek work, institute periodic reviews of disability status, and change the exemption from employment requirements for mothers from having children under age 12 to having children under age seven. The rules were further tightened in 2002 by lowering the child's age for the mother's exemption to under three years, instituting a duration limit of two years out of five on single employable recipients and a two-year independence test, adding a five-week work search for new applicants before benefits are paid, and reducing face-to-face contact in favour of phone and online contact. The impact of these changes was felt primarily by the ETW category, where cases fell by about 150,000 over 10 years.

It is noted that these eligibility changes were introduced because over the first half of the 1990s decade, the caseload almost doubled from under 120,000 annually to about 220,000. Even as the economy improved significantly, the caseload increased rapidly resulting in significant public pressure to reduce the number of recipients. Data were not available to show this period in the following charts.

In addition to these eligibility changes, as will be seen below, benefit levels were frozen between 2007 and 2017, except for a \$25 increase to DA rates in 2016. Beginning in 2017 however, benefits have been increased several times and many of these eligibility restrictions have begun to be loosened in important ways. They include reducing the required job search period to three weeks, ending the requirement for recipients to pursue Canada Pension Plan retirement benefits before the age of 65, expanding access to security deposits and introducing a pet damage deposit supplement, increasing asset limits and removal of the \$10,000 asset limit on primary vehicle for IA recipients, increasing crisis supplements for shelter, expanding access to additional supplements for recipients of hardship assistance, amending the definition of spouse to be more inclusive, eliminating the rule that limited eligibility to those who had two years of financial independence, adding the community integration specialists, and providing an additional \$300 per month COVID-19 temporary rate top-up. Eligibility for PPMB has been expanded to include addiction and substance abuse under the heading of medical conditions. A streamlined reapplication process was also introduced for individuals who return to IA within six months of exiting.

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Figure 4-10: Income Assistance caseload by category

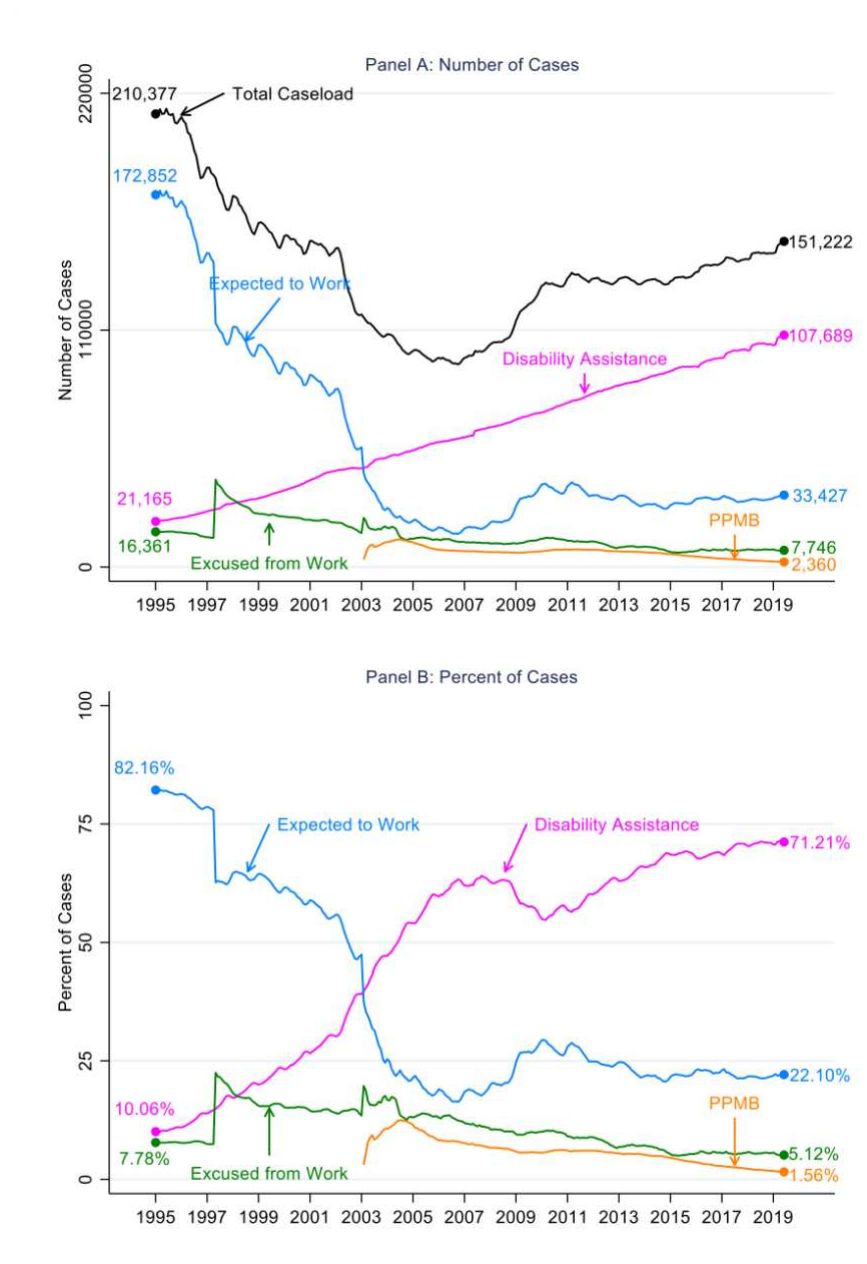
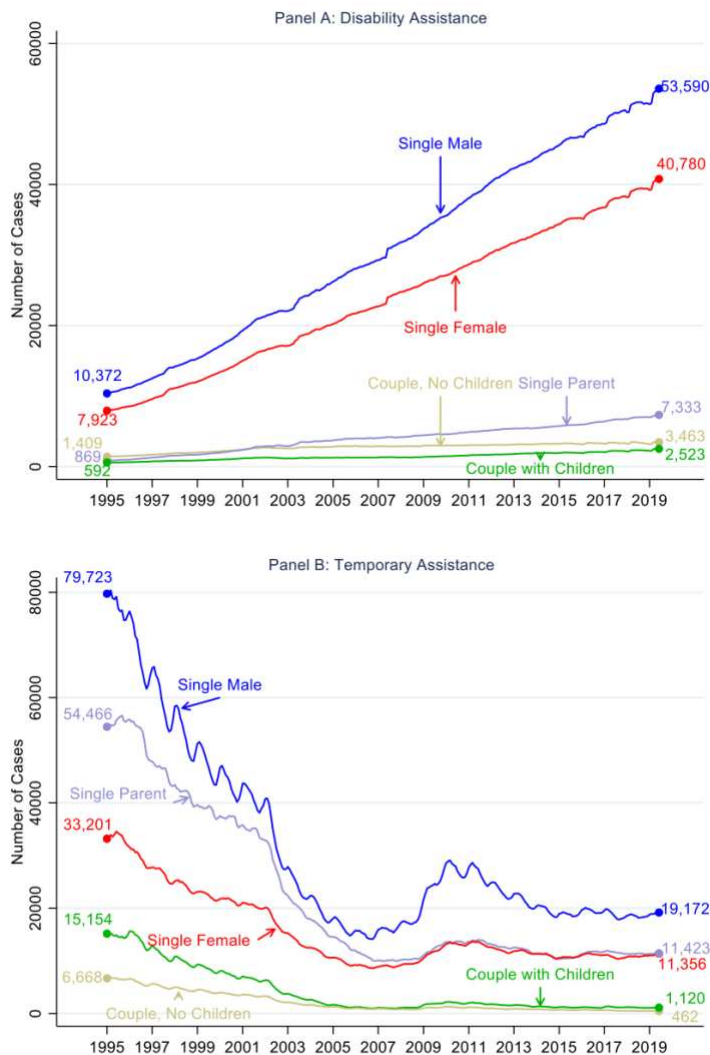


Figure 4-11 breaks down the IA caseload patterns by family type in order to assess the impacts of past B.C. policy changes in more detail. The figure shows that the biggest drops in ETW caseload were first in single males without children, second in single parents, and third in single females without children. In contrast, the increase in DA recipients is primarily among single males and females without children, with a much smaller increase among single parents. The increases in employment requirements played a significant role in reducing the number of single male and female recipients, and the less generous exemptions for mothers, dropping from children under 12 to

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children under three years, affected single parents, together with the B.C. Family Bonus benefit and employment programs for young adults, both introduced during the same period.

*Figure 4-11: Income Assistance caseload by family type*



Also notable were other factors that contributed to caseload changes in addition to changes in eligibility criteria. One of the most significant was that the former Unemployment Insurance program was reformed and became Employment Insurance (EI) over the same period. Green, Hicks et al. (2020) show that changes related to EI in the 1990s reduced the number of short-term IA recipients who were waiting for EI approval, which accounted for almost 10% of ETW recipients, a situation that was

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based on the nature of the EI system at the time and cannot be recreated under the current structure.

That leads to the question as to why DA has grown so steadily over such an extended period. According to the Ministry of Social Development and Poverty Reduction, eligibility changes have played an important part, as it has become somewhat easier over time to qualify for DA especially with the inclusion of mental health conditions within the PWD designation eligibility rules in 2002. In addition, the PWD designation is limited to those with severe long-term conditions, leading to long durations of benefit receipt which means caseload accumulates over time. Other important factors include the aging population, since a high and growing proportion of DA recipients are over age 50, and the fact that, unlike TA, DA recipients tend to have very long durations of coverage. Once a person qualifies for DA, they tend to stay on the caseload. While the duration of TA cases has been growing over time, it remains considerably shorter than for DA recipients (Green, Hicks et al., 2020).

These findings point to two important groups that we believe should be targeted in our analysis of policy reforms. The first is single adults, who have been most affected by eligibility changes and also have the highest rates of poverty, as shown in Part 3. The second is people with disabilities, who make up about 70% of the IA caseload.

### Background patterns

Census data from 2016 provides a valuable perspective on single working-age adults (Green, 2020c), defined as people ages 18–64 who are not married or in a common-law relationship, do not have children present, and were not students in the school year between September and May of 2015.<sup>48</sup> It shows that 98.8% of single adults living below the poverty line received at least some income from government transfers. It seems likely that IA forms a dominant part of those transfers, but we are not able to confirm that.<sup>49</sup> However, EI income is specifically identified, showing that only 5% of

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<sup>48</sup> In the data reported in Part 3, B.C. had an anomalously high poverty rate in 2015, with the 40% single-adult poverty rate in 2015, which was over 10 percentage points higher than in 2018. This means that some of the people denoted as living in households below the poverty line in the census may have moved above the poverty line now—though, almost surely, not by enough that they are no longer a concern. As discussed in Part 3, the census uses the economic family to calculate poverty, so adults dependent on family support are not classified as single adults.

<sup>49</sup> The categories of government transfer income in the census are imperfect. In particular, IA income is in a catch-all category of Other Government Transfers that also includes workers' compensation, Working Income Tax Benefit, and most refundable tax credits.

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single adults had EI income in 2015, which made up only 3% of total income received by this group.

This means that even radical reforms to the EI system that may be coming after COVID are unlikely to have sizable impacts on poverty for this group as a whole (although it may affect some sub-groups more), but the adequacy of Income Assistance benefits is likely to continue to be very important.

Green (2020d) profiles single adults living below the poverty line in three main groups, those whose income is limited to government transfers, those with earned income over \$16,000 in 2015 and those who earned income but worked less than half of the weeks in the year.

The first group accounts for 33% to 40% single working-age adults in poverty and Income Assistance accounts for 84% of their income, suggesting long duration benefits consistent with Disability Assistance. Many also report CPP income, which for those under 60 means CPP disability benefits. The group profile is predominantly older males living outside the Lower Mainland/Victoria, with lower education, three-quarters of whom do not work in the year but 8.8% worked 48 to 52 weeks in the year (i.e., on the census they said they worked but their tax records do not report earned income). It is not clear whether this corresponds to working under the table while receiving benefits. This group is mostly made up of people with disabilities who are a group of central policy concern.

The second group makes up about 20% of single working-age adults in poverty. Because their earned income is within 20% of the Market Basket Measure (MBM) poverty line, they have relatively low depth of poverty. The group profile is predominantly female with few high school dropouts, most of whom work full-time hours for 40 weeks or more, with a plurality in sales and service occupations. Estimated median wages were \$10 to \$11.42 per hour (2015 minimum wage was \$10.45), with few exceeding \$13 per hour and many below minimum wage by 25% to 50%, due to exemptions for servers and commission sales (Green, 2020d). This group is the one most negatively affected by the COVID-19 pandemic. The work of the Fair Wages Commission, established in 2017, which has already prompted increases in minimum wages ultimately to \$15.20 in June 2021 and which continues with a report on addressing the difference between minimum wage and a living wage expected in 2021 will benefit this group. Policies such as earnings supplements that increase their earnings by, say, 30% (a not uncommon earnings subsidy rate in other jurisdictions) would move most or all of them above the poverty line, as could changes to Temporary Assistance.

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The third group covers about 14% of single working-age adults in poverty. The group profile is middle of the road in terms of education, sex, and age, with some concentration among young adults (under 24) with a relatively high 11% receiving EI benefits and a relatively high proportion of self-employment. This is the group that could benefit most from EI reforms, including incorporating the self-employed into the system.

As pointed out in the discussion on labour market trends in Part 3, Section 4.4 (Employment Insurance), a substantial portion of unemployed people do not receive EI benefits, with coverage at only 40% in recent years. Large proportions of the unemployed are ineligible largely as a result of changes in accessibility to the then-Unemployment Insurance program in the early to mid-1990s. As a result, the proportion of the B.C. population receiving IA benefits skyrocketed, reaching approximately 12% in a month in 1995 (Green, Hicks et al., 2020). At that time IA was very seasonal, with a high proportion of short-term spells and a high proportion of “single employable” recipients, a program primarily assisting those with sudden, short-term loss of income. Part 4, Section 5.1 (Income Assistance), detailed how the IA reforms in 1996 and 2002/3 responded to loss of public confidence in a program that had become too costly, by essentially denying access to individuals who needed to replace scaled-back Unemployment Insurance benefits. The result was sharp declines in the total caseload and the seasonality of the caseload, and increases in the share of longer-term and disability cases in the caseload (Green, Hicks et al., 2020).

This points to a different way to frame the question of who uses the ETW part of the system and how to assist them. The question of how to reform IA needs to be addressed in the broader context, asking about the nature of gaps in the combination of IA and EI currently and how the transfer system as a whole needs to be reformed. The relevant questions, therefore, are, who is being underserved by the overall transfer system, and is IA the right tool for responding to their issues? Considering those who are not currently eligible for EI:

- People returning to school from work are not a clear target group for IA—that should be covered through scholarship and student loan programs.
- People who quit their last job and the self-employed are likely best addressed through adjustments to the EI system. They are not entitled to EI benefits because of moral hazard considerations, and it would seem better to address those considerations directly in the EI system than to take them on in a residual fashion in the IA system.



That leaves the long-term unemployed.<sup>50</sup> Some of these people may have disabilities that mean that their situation is best addressed through reforms to the DA part of the system. Approximately a quarter of the long-term unemployed attended school in the previous school year. Again, they are better addressed through other systems related to education. We discuss transitions for young people in Section 8 (Reforms Targeting Young Adults) of Part 6 on recommendations. The remaining group, the non-student long-term unemployed, have a 42% poverty rate, and those in poverty are disproportionately in the 45–64 age group and have low levels of education.

Are the long-term unemployed who are not receiving EI benefits mainly people who have exhausted their EI benefits? Green's (2020c) analysis of a federal government evaluation of the EI system suggests that a quarter to a third of the long-term unemployed are EI benefit exhausters.<sup>51</sup> From the point of view of IA policy, these long-term unemployed have demonstrated considerable difficulty in finding a job, implying that they will need help to become job ready. As in our earlier comment, it would be good for the provincial government to engage in discussions with their federal counterpart about the best set of policies for EI exhausters. Having them move into IA receipt, as at present, seems more like a residual outcome than conscious policy.

There is also a strong pattern of repeated, shorter-spell use of IA by single working adults—in December 2016, about 70% of recipients had been on IA for over 12 months in the last five years, including 25% who were receiving benefits for 48 months or more out of the previous 60 months. Combined with the fact that 77% of ETW spells end in under one year, it is clear that many users of the system cycle in and out of the system with multiple, short-term periods of work and receiving Temporary Assistance (TA) benefits, which we refer to as “long-term repeated TA use.”

Of those in the “48 months in the previous five years” group, about half were over age 50, compared to a quarter of those in the “under 12 months of use in the previous five years” (Green, Hicks et al., 2020). This reveals an important correlation between long-term repeated TA use and older age. These older and less-educated workers may be

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<sup>50</sup> We define long-term unemployed using the combination of people who are unemployed in the census survey week and who have not worked in 2016 or 2015, so it actually corresponds to people searching for work at a point in time who have not worked for over a year, as opposed to people who have been searching for work for over a year.

<sup>51</sup> In steady state, if 40% of the unemployed are receiving EI benefits and a third of those end up exhausting benefits, then approximately 13% of all unemployed are benefit exhausters. If most of these are long-term unemployed and the long-term unemployed make up a third of the unemployed, then the benefit exhausters make up a bit over a third of the long-term unemployed. Taking out those who exhaust benefits because they are following a seasonal pattern results in our rough estimate.

unlikely to establish long-duration employment, but as a group they do engage in multiple, short employment spells, which do not coalesce into employment-based independence from transfer support. Especially for older workers, it would seem better to acknowledge this reality and create a system that provides better support for (sporadic) work efforts. Doing so would match our goals of self-respect and reciprocity but would also imply a system that does a better job of providing security for people in this situation.

### Benefit levels

Cash benefits in the IA program vary significantly among the DA and TA components, and they are further differentiated by the number and age of family members. The ministry provides current rate tables for TA recipients (including PPMB)<sup>52</sup> and DA recipients.<sup>53</sup> Note that, on top of the rates shown on these tables, as a COVID-19 relief measure, all IA rates (TA and DA) and the Senior Supplement rate have been effectively increased through an automatic \$300 monthly supplementary payment for the period April 2020 to December 2020, which will be reduced to \$150 per month for January 2021 to March 2021. In addition, DA recipients who qualify for the disability tax credit received an additional automatic one-time federal supplement payment of \$600. IA recipients qualify for the one-time B.C. Recovery Benefit of \$500 for singles and \$1,000 for families available beginning December 2020.

For both TA and DA, the benefit is made up of a support amount and a shelter amount. The support amount is received by all qualifying recipients and is thus a cash transfer in our categorization discussed above. The shelter amount paid is equal to the actual shelter costs incurred, up to a maximum and is therefore an in-kind benefit.<sup>54</sup> In practice, there are few places in B.C. where market rents are less than the shelter amount, so 90% of recipients who pay for shelter qualify for the maximum shelter allowance (Mendelson & Kesselman, 2020).

Figure 4-12 shows monthly combined support and shelter amounts for single ETW and PWD recipients compared with the Market Basket Measure 2008 base threshold.<sup>55</sup>

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<sup>52</sup> <https://www2.gov.bc.ca/gov/content/governments/policies-for-government/bcea-policy-and-procedure-manual/bc-employment-and-assistance-rate-tables/income-assistance-rate-table>

<sup>53</sup> <https://www2.gov.bc.ca/gov/content/governments/policies-for-government/bcea-policy-and-procedure-manual/bc-employment-and-assistance-rate-tables/disability-assistance-rate-table>

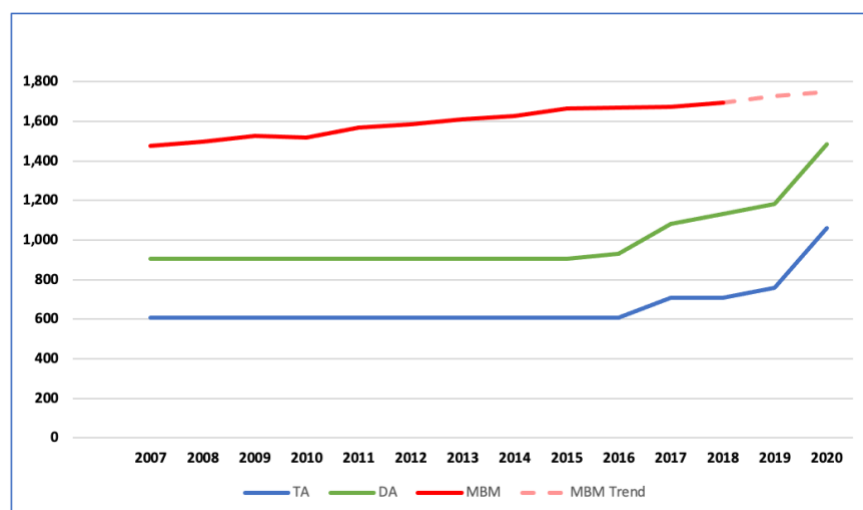
<sup>54</sup> The combined support and shelter amounts are phased out as income increases above the earnings exemption.

<sup>55</sup> In September 2020, Statistics Canada introduced a revised MBM 2018 base, under which threshold amounts have increased significantly. See Part 3 for further information.

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Rates in B.C. were held constant for 10 years, from 2007 to 2017. TA rates were increased in 2017 and 2019, while DA rates were raised in 2016, 2017, 2018, and 2019. Figure 4-12 also shows the temporary COVID-19 response supplement of \$300 per month in 2020. As a result of the 10-year rate freeze, the benefit as a percent of the MBM threshold fell from 41% to 36% for single ETW recipients and from 62% to 56% for single PWD recipients by 2017. By 2019 the rates had been increased to 44% and 69% of the MBM thresholds, respectively. The 2017 increases raised both rates above the 2007 levels after adjusting for inflation as measured by the consumer price index for B.C.<sup>56</sup> IA rates for 2019 were up 4% for TA and 9% for DA from 2007 levels in real terms.

*Figure 4-12: Single adult TA and DA monthly rates compared with MBM thresholds<sup>57</sup>*



### Applying the analytical framework

The following sections discuss IA in terms of the characteristics associated with achieving our goal of moving toward a more just society. For some of these characteristics, we distinguish between DA and TA, while for others we consider both components of the program together.

<sup>56</sup> Statistics Canada, Table 18-10-0005-01.

<sup>57</sup> Ministry of Social Development and Poverty Reduction; Table 11-10-0066-01 Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component, and base year. MBM thresholds are for Vancouver, using the 2008 base, with the trend estimated using OLS regression.

### *Adequacy*

Adequacy is basically a question of the extent to which benefits, including both cash transfers and in-kind supplements, enable recipients to meet their basic needs sufficiently to be able to have personal autonomy. Figure 4-12 sheds light on that question, indicating that the cash transfers fall considerably short of the MBM threshold, which is designed to be a measure of the disposable income needed to cover basic needs in a particular location, in this case Vancouver. It is noteworthy that in general, people living with disabilities face higher costs of basic needs than those without a disability. Supplements are a type of insurance or protection against adverse events, which are also more likely for those with disabilities, especially extended health-care costs, including medical equipment in many cases. Therefore, we do not factor in the supplements in meeting the MBM level.

Cash-transfer rates that cover only a portion of basic needs make going on Income Assistance less attractive, encouraging those who have alternative means of support that cover more of their basic needs, especially through work, not to use IA. Using our framework, that means trading off adequacy for public trust, in terms of both the fiscal implications (higher rates would increase costs) and the imposition of reciprocity through work incentives. This issue is discussed further below.

### *Accessibility*

A just income and social support program should treat users with respect, be simple and understandable, and have low barriers to access for those the program is targeting. These are all needed to make the program accessible to those it is intended to support.

IA is not simple. It has many rules and requirements that can be challenging for users to understand and, as suggested above, the rules and procedures change frequently. While the changes are intended to address legitimate policy issues, they make it difficult for users to understand fully how the program works. For example, the uniquely comprehensive definition of income used by the program is itself a source of complexity.

The program also carries a high degree of stigma, which combines with intentional and unintentional barriers to access to disenfranchise people who would otherwise qualify in at least some cases. We have been unable to quantify that negative effect—eligible people who are either mistakenly rejected on application or don't even bother to apply.

In part, the stigma associated with IA arises because of eligibility criteria that impose intrusive requirements on users to provide personal information without explaining exactly how that information will be used in adjudicating a claim. This contributes to a

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perception among many who start by distrusting government that they are being subject to discretionary and arbitrary decision-making.

This issue is especially salient for DA. As found by a previous expert panel that reviewed the DA program (Dunn et al., 2016), the current eligibility criteria are difficult to apply because, among other concerns, physicians are expected to complete application forms, but the criteria are not consistent with established medical practice. The work of that panel is discussed further in Part 6 in support of specific recommendations to reform disability eligibility criteria and adjudication processes.

Access to supplementary benefits is another example. Almost all supplements, whether general or health-related, are available only to current IA recipients and those who have recently stopped receiving cash benefits due to increased income. Some supplements are accessed directly by the recipient through a health-care provider, such as dental treatment and optical coverage. However, few supplements are automatic in nature because they are situation-specific; most can only be accessed through an EAW or, for some health supplements, a medical professional. That creates a sense of powerlessness among users and leads to perceptions of inconsistent treatment—significant barriers to access that are, to some extent, unavoidable for benefits that are conditional on demonstrating specific needs.

More generally, the welfare wall itself is an intentional barrier to access and a source of stigma, because only those with nowhere else to turn can access the program. As with adequacy, accessibility has been traded off against public trust.

### *Security*

DA is in fact quite a secure stream of benefits for those who qualify, but unfortunately that is not evident to all users. The program was originally intended to provide the least assistance possible, so there were provisions for periodic reassessment of disabilities against eligibility criteria. Those provisions continue to exist, but as a matter of policy are not exercised. Nevertheless, many recipients fear that they will lose their disability status on reassessment. In addition, while only 14% of PWD recipients earn employment income, the average income earned is at the earnings exemption level. Despite the ability to earn in excess of the exemption, although benefits are reduced dollar-for-dollar of excess earnings, some do so at the perceived risk of losing their DA eligibility by earning too much. Similar concerns apply to those designated as PPMB.

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TA is designed not to provide long-term security. As noted above, the loss of valuable supplements, combined with cash transfers, while difficult to live on, create a welfare wall disincentive to leaving the program.

### *Responsiveness to individual changes in circumstance*

IA has a mixed score in terms of this characteristic. The existence of the mandatory job-search waiting period for ETWs and the difficulty in successfully navigating the DA application and adjudication process mean that IA is not very responsive to changes in potential applicants' personal situations. However, the monthly income reporting requirements ensure that the program is quite responsive to changes in personal circumstances for recipients. Access to supplements depends on the evidence and information that EAWs require before approving the supplements and can vary significantly.

### *Opportunity*

For those considered to be employable, WorkBC provides access to training and employment readiness programs, providing opportunities consistent with the objective of moving ETW recipients off benefits in favour of paid employment as quickly as possible. On the other hand, PWD recipients are not expected to work because many have limited ability to work. Often PWD recipients face costs and other barriers to working that would need to be overcome to make work financially feasible, but those matters are not recognized by the program. WorkBC provides assistance and supports to both TA and DA clients, including working to reduce barriers to employment through assistive technology and ongoing case management support. However, feedback from disability groups is that they would like to see enhanced services to more fully meet their needs. IA also does not recognize in any way other socially productive activities, such as caregiving or volunteering.

### *Public trust*

As suggested earlier, the funder-of-last-resort concept underlying IA is intended to enhance public trust by preventing those who are able to be self-sufficient through work from accessing the program, withdrawing valued labour services from the economy while at the same time drawing benefits supported by taxpayers at a fiscal cost. The strictest requirements apply to TA, and particularly to ETW recipients, since they are presumed to be employable and the incentives not to apply for IA therefore need to be significant. On the other hand, PWD recipients are presumed to be mostly less employable, reducing the need to erect a high barrier to keep those with genuinely

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severe disabilities out, but strict eligibility adjudication is key in this construct. The current system reflects this description of how the desire to maintain public trust has contributed to the design and evolution of the program. As noted above, the result is to trade off some characteristics that are key to self-respect in favour of these characteristics that are crucial in terms of public trust.

This analysis helps us understand the purpose of the funder-of-last-resort concept and how, by placing the emphasis on public trust over characteristics associated with self-respect, including adequacy and accessibility, it has created a program that does not treat its users in a way that is fully consistent with our justice objective. In a similar way, the analysis of basic income in Part 5 shows that by putting its emphasis on personal freedom of choice and autonomy of action, broadly applicable basic income programs are not fully consistent with the public trust requirements, particularly the fiscal cost and economic implications for labour supply.

However, to fully analyze the economic implications of the IA program it is important to consider the welfare wall in terms of both discouraging people from accessing the program and discouraging recipients from exiting the program through employment and earned income. The two sets of barriers contribute to the effects of the program on people's decisions about whether and how much to work.

It's important to note that the labour supply incentives discussed here apply only to those who are able to work. Barriers to entry and exit have no effect on decisions about work for those unable to participate in work, a group that constitutes a majority of the current IA caseload. However, it is difficult to determine who is and who is not able to work. It is also useful to remember that making a contribution to society, including through work, is key to self- and social respect.

Table 4-4 lists several features of Income Assistance programs and indicates which of those features result in barriers to entry and barriers to exit. Importantly, the barriers created are not the same height from both directions, so perhaps the "welfare wall" is not the most appropriate metaphor. These features include the eligibility criteria established as barriers to access as part of the funder-of-last-resort principle. The purpose of these features is to limit the number of people who qualify and thus the reduction of labour supply associated with people who could be self-sufficient through work but who rely on benefits instead.

The real question, though, is about the effectiveness of these barriers to entry: do they effectively discriminate between those who are legitimately unable to work, those who are able to work but need support to get by and to regain workforce attachment, and

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those who don't need support and are choosing benefits over work? As discussed under Accessibility, above, there are opportunities for improvement, especially in terms of objectively and accurately determining who has a long-term severe disability. In addition, there is a legitimate question about how many people who should qualify for TA or DA do not because of barriers to access that leave them unable to meet basic needs.

*Table 4-4: Income Assistance program features that create barriers to entry and exit*

IA program feature	Barrier to entry	Barrier to exit
Income test	Yes	Yes (by limiting re-entry)
Asset test	Yes	Yes (by limiting savings, primarily affects TA)
Cash-transfer rate	Yes	Yes
Work search period	Yes	Yes (by limiting re-entry)
Disability eligibility criteria	Yes	Yes (by limiting re-entry)
Benefit reduction rate and the associated break-even point	No	Yes
Supplemental benefits	No	Yes (primarily affects TA) <sup>58</sup>

Barriers to entry can also create barriers to exit because eligibility criteria make it difficult to re-enter the program if needed after exiting. Despite low benefit levels, when the protection afforded by being able to re-enter the program is limited by the way eligibility criteria are applied, some people will choose not to work, with the associated risk of losing benefits for a significant period. That is in part what happened with the 1996 and 2002 eligibility changes, which have been, in part, reversed over the past three years.

The ability to return to the system is a type of “job insurance” that is especially important if the job is precarious employment and does not create Employment Insurance eligibility. Most TA recipients have lower levels of education. They often face other

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<sup>58</sup> Former DA recipients are eligible for Medical Services Only coverage indefinitely, and TA recipients receive partial coverage for one year.



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barriers to employment that make full-time standard employment less likely than insecure employment in the form of casual, part-time, or gig jobs that currently do not lead to Employment Insurance eligibility.

The linkage between access to general and health supplements and continued eligibility for IA cash benefits poses another barrier to exit. Supplements are protection against adverse events that those in poverty cannot easily overcome, and the risk of losing them makes the decision to exit cash benefits for work more difficult. Once a beneficiary earns enough to lose their last dollar of cash benefits, they subsequently lose their entitlement to supplemental benefits, although some are maintained during a 12-month transition period for TA families. PWD recipients receive Medical Service Only benefits indefinitely. As their earnings approach the break-even level, they risk losing not just the benefit reduction rate (BRR) times their incremental income but eventually the total value of the supplements, albeit sometimes after a transition period. This phenomenon creates a “notch” in their benefits, where earning an extra dollar produces a far larger, discrete loss of benefits. This notch is a significant component of the welfare wall.

Policies to moderate or eliminate the notch for IA recipients could proceed by any of three methods (Kesselman & Mendelson, 2020). All methods entail detaching eligibility for the supplemental benefits from the IA program, so that they become accessible to all low-income persons regardless of their IA status. The first method would make the supplemental in-kind benefits contingent on income below a specified threshold, which would widen the eligible population but simply move the notch to a different level. The second method would be to make the benefits contingent on but phased out smoothly with income; for example, using a variable co-payment or varying the number of free health practitioner visits with income. Third, and most costly, would be to universalize the in-kind benefit so that it would become a covered part of the medicare program available to the entire population.

The cash-transfer structure of the program is also a barrier to exit in the same way that the BRR associated with any income-tested benefit that is phased out creates a disincentive to work, as discussed in Part 3. The structure of cash benefits that phase out with income, whether in a basic income, tax credit, or IA program, poses disincentives to enter work or, for those already working, work more hours. Similarly, higher taxation of income poses work disincentives that may cumulate with those of IA if the two programs overlap. That is, the BRR associated with any earnings creates a negative work incentive. The question is the magnitude of that disincentive.

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To estimate the impact of these disincentives, Green (2020d) uses estimates of the responsiveness of workers, referred to by economists as elasticities, found in the literature. He compares the labour supply effect of a basic income with the current IA program as a result of this specific effect—the effective tax rate impact of phasing out benefits as income rises. In summary, he shows that:

- for higher income workers (who are not affected by IA or most basic income designs) the impact is essentially zero, in terms of both the decision as to whether to work and how much to work
- for IA recipients who are unable to work, effective tax rates are obviously not a consideration
- for those who earn low incomes or would do so if they chose to work, the impact of tax rates is more significant, but the impact on the participation decision is generally greater than the impact on how much to work, and that depends on how these incentives apply to the specific program design

Part 3, Section 5 (Income Testing and Effective Tax Rates) describes the different incentive effects that arise when income testing parameters are changed as discussed by Green (2020c). We point out the conflicting incentives that will affect some people by discouraging additional work effort, some by encouraging additional work effort and some by encouraging people who are not working to begin to participate.

In the case of DA, the earned income exemption is relatively high, at \$12,000 (due to increase in January 2021) and is annual rather than monthly. The 14% of DA recipients who do work represent those who are able to work and have chosen to do so. Many have earnings that are closely clustered around the annual earnings exemption, while many also exceed the maximum and others earn substantially less. Ministry staff have suggested that some recipients limit their work effort to ensure income is near the income exemption to avoid inadvertently exceeding the much higher break-even level of income, at which point their eligibility for IA would be affected. That is reasonable given that above the exemption, all of the additional income is taxed back by the 100% BRR. These people have chosen to participate in the workforce but have chosen how much to work based on the program design, specifically the income exemption/BRR combination.

That suggests that a reduction in the BRR will encourage some DA recipients who work to increase their hours of work. That idea is supported by Campolieti and Riddell (2012) who found that a reduction in the BRR increased employment of disability insurance

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recipients but did not change inflows or outflows to the program. This suggests that reducing the BRR in the DA program would encourage work among recipients but have little negative effects in the form of increasing the caseload. Since currently only about 13,500 people out of about 107,000 DA cases report earned income (Petit & Tedds, 2020d), increase in work would not have a material impact on B.C.'s economy but would be beneficial to those individuals' well-being both financially and in terms of self-respect and autonomy.

That impact on the choice of how much to work is specific to the current IA design and the observation about the level of earnings. Separate from the benefit structure, other barriers to exit identified above are disincentives to participation and, for those who choose to work, limiting factors on hours of work. It is important to note as well that for those with disabilities who are able to work, higher costs of employment associated with disabilities act as another disincentive to participate; this too could be addressed by policy changes.

The TA program also applies to some who are able to work and others who are not. We will focus on the main component of TA, the ETW group accounting for about 30,000 individuals who are presumed by the system to be able to work (Petit & Tedds, 2020d). About 7% of the ETW group (roughly 2,100 individuals) currently report earned income. They face a monthly rather than an annual earnings exemption that is also substantially lower than that for the PWD recipients, at \$400 per month for single adults and \$600 for single parents. Single adults in the ETW category receive a benefit of \$760 per month and a BRR of 100% that applies from \$400 to \$1,160 in monthly earnings, where the latter number is the break-even point. As noted in Part 3, Green (2020c) found that replacing IA with a basic income that did not include an earnings exemption but had a 70% BRR would not reduce the disincentive to work caused by IA's 100% BRR by much, because of the offsetting effects of the lack of an earnings exemption and the lower BRR. It is likely that most of the disincentive effect for ETWs is in the form of a disincentive to work at all rather than a disincentive to increase hours worked. It may not be significant, but it combines with the disincentive to workforce participation resulting from barriers to re-entry and loss of supplements to create a significant barrier to exit.

Overall, then, the labour supply implications of the current system are that the barriers to entry for the IA system are intended to prevent those who are not in real need from accessing the system, thus preventing people who can work from choosing not to in order to access benefits. That protection of the labour supply is at least partially offset by the barriers to exit erected by those same eligibility tests, together with other features of the program, especially for those with disabilities who are able to work. There are

important considerations beyond the labour supply economic impacts, such as the self-respect and autonomy benefits associated with the dignity of work and the fact that some who qualify are excluded by the accessibility barrier. In that context, the public policy question becomes, what is the right balance of eligibility tests and program design parameters that are affordable, reasonably cover most basic needs, and don't unnecessarily create barriers to participation in the workforce?

Lowering barriers to entry and exit would affect PWD and ETW recipients somewhat differently. For PWD recipients it would primarily increase both participation and work effort, and in at least some cases encourage longer-term, more stable employment, where there is the capacity to do so. For ETW recipients who are more likely to move from benefits to relatively precarious employment, making entry and re-entry easier and lowering other barriers to exit are likely to increase repeated short-term durations on benefits. How prevalent that is will depend in part on the extent to which the federal government's expected Employment Insurance reforms increase Employment Insurance eligibility for these workers.<sup>59</sup>

## 5.2 Health-care services

### Summary of program features<sup>60</sup>

As with the whole of Canada, B.C. has universal medicare, known as the Medical Services Plan. Since it is universal, we don't consider MSP as part of the income and social support system. But we do deem three health-care programs to be part of the system: the MSP supplementary benefits, Healthy Kids, and PharmaCare programs. MSP supplementary benefits and PharmaCare are administered by the Ministry of Health, and the Healthy Kids Program is delivered by Pacific Blue Cross under contract to the Ministry of Social Development and Poverty Reduction.

The MSP supplementary benefits program is a basic service, providing payments to improve low-income individuals' access to health-care professionals not universally

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<sup>59</sup> In Part 3, Section 4 (Labour Market Trends), we discuss the gaps in coverage under current Employment Insurance policy, which the federal government has indicated will be addressed in upcoming reforms, as the program is adjusted to replace the protections afforded by CERB.

<sup>60</sup> Further information about MSP supplementary benefits can be found at <https://www2.gov.bc.ca/gov/content/health/health-drug-coverage/msp/bc-residents/benefits/services-covered-by-msp/supplementary-benefits>, and more information about PharmaCare can be found at <https://www2.gov.bc.ca/gov/content/health/health-drug-coverage/pharmacare-for-bc-residents>

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covered by MSP. The program provides up to \$23 per visit for up to 10 visits per year to eligible individuals. Professional services covered are:

- acupuncture
- chiropractic
- massage therapy
- naturopathy
- physical therapy
- non-surgical podiatry

People who are automatically eligible for the program are:

- IA recipients
- Convention refugees
- inmates of B.C. correctional facilities
- individuals enrolled with MSP through the At Home Program
- residents of long-term care facilities receiving the Guaranteed Income Supplement
- individuals enrolled with MSP as mental health clients
- First Nations individuals with coverage through the First Nations Health Authority

In addition, people with “adjusted net family income” of less than \$42,000 who are eligible for MSP coverage and have filed their taxes for the most recent year are eligible for the supplementary benefit. Applicants apply only once online, providing authorization to the program to verify their income with the Canada Revenue Agency based on the previous year’s tax assessment. Once enrolled, the benefit is available in all years when the income test is met. This is one of several basic service programs that require a one-time application for the purpose of establishing permission to access tax data.

Healthy Kids provides basic dental treatment, optical care, and hearing assistance to children of families that are eligible for MSP supplementary benefits. While using the same eligibility criteria, it is delivered separately by Pacific Blue Cross. It effectively extends access to health supplements available for dependent children under IA to low-

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income families not receiving IA; however, the coverage for children under Healthy Kids is less extensive than for children under IA.

PharmaCare is also a basic service program intended to protect families from the cost of prescription drugs and other treatments not covered by MSP. The program provides coverage for:

- eligible prescription drugs, subject to rules about coverage for specific drugs
- some medical devices and supplies, including prostheses, orthoses, ostomy supplies, and diabetic supplies
- eligible dispensing fees and pharmacy services

As with the MSP supplementary benefits approach, some people are eligible for specific coverage and there is general coverage that is income-tested. The specific groups covered are:

- permanent residents of licensed residential care facilities
- IA recipients
- people with cystic fibrosis
- individuals enrolled with MSP through the At Home Program
- people on certain psychiatric medications
- people in palliative care
- First Nations individuals with coverage through the First Nations Health Authority

The largest group of families is covered through Fair PharmaCare, which is the part of PharmaCare that is income-tested, at least in part. Everyone covered by MSP has automatic eligibility for 100% coverage for costs for covered items in excess of \$10,000 per year. In addition, with a one-time application that provides explicit permission for the program to access tax information from the CRA, income-tested provisions apply that reduce the annual amount paid by families for prescription drugs covered by PharmaCare, depending on income level.

The plan works by setting a deductible amount and a family maximum amount based on family net income. Nothing is paid until the costs have exceeded the deductible, at which point 70% or 75% of incremental costs begin to be paid. Once the family maximum is exceeded, 100% of any additional costs are paid. The deductible and

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maximum amounts both increase slowly with income from zero for incomes under \$15,000. The Fair PharmaCare family deductible (the level at which partial coverage starts) does not reach \$10,000 until income exceeds \$316,000 and the family maximum at which point 100% of incremental costs are covered does not reach \$10,000 until income exceeds \$250,000. In other words, the coverage is reduced very slowly as income rises, and never fully phases out, even for those earning very high levels of income.

In effect, this is a program providing universal coverage for B.C. residents that also has enhanced income-tested benefits. It is delivered directly through pharmacies, which are all linked to the program electronically, so the costs of prescriptions and other eligible items are reduced at the point of sale by the Fair PharmaCare payment.

### **Applying the analytical framework**

#### *Adequacy*

Fair PharmaCare provides strong protection against catastrophic costs associated with prescription drug costs. With income-tested support that provides 100% coverage to most of the lowest-income families and that continues to provide additional coverage up to relatively high-income families, it has a high degree of adequacy. Inevitably difficult decisions must be made about exactly what drugs and items are covered, especially very expensive ones, which periodically results in criticism, but it clearly provides important and valuable coverage.

The MSP supplementary benefits program covers professional health-care services not covered by MSP, with a maximum benefit of \$230 per person that is cut off at \$42,000 adjusted net family income. This program provides a relatively low level of protection because of the limited services covered (i.e., not including dentistry), the limited number of covered visits, and the low amount rebated for each visit. However, this program is important because it establishes eligibility for the Healthy Kids Program, which is administered separately by a different ministry, but delivers a more adequate extended health benefit for low-income children.

It is striking that IA provides its clients with broader extended health coverage in the form of health supplements than are available to other low-income persons under MSP supplementary benefits and PharmaCare. Both of these programs provide automatic coverage for IA recipients, but health supplements go considerably further in terms of their coverage, to include additional health-care services, such as dentistry, consumable

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medical supplies, and medical equipment, similar to the way that the Healthy Kids Program extends IA supplements to other low-income families.

### *Accessibility*

Fair PharmaCare as a universal benefit is simple and automatic with MSP eligibility and is delivered without anything being required by the user at the point of sale, making it highly accessible in almost all circumstances. Behind the scenes there is complexity associated with exactly what drugs are covered in certain circumstances, but that does not create a barrier to access generally. As a result, there is virtually no stigma associated with the program.

Income-testing does add some complexity and barriers to access for some users, because of the requirement to apply and to annually file tax returns. For many people, a single application and a requirement to file taxes is not a problem, except to the extent that the level of coverage and the requirement to apply once may not be fully understood by the general public. However, as discussed earlier, there are significant barriers to tax filing that affect the most vulnerable because they are not required to file and often don't have the information and capacity to file, especially those with developmental and cognitive impairments, and mental health and addiction problems. Automatic full coverage for IA recipients<sup>61</sup> and others listed above, many of whom are vulnerable people, mitigates this accessibility barrier. These considerations apply equally to income-tested PharmaCare benefits, and the MSP supplementary benefits and Healthy Kids programs.

### *Responsiveness to personal change*

These three programs, along with all other benefits that rely on use of income tax information for income-testing purposes, are not immediately responsive to changes in income, because of only annual assessment and up to an 18-month lag for a change in income to be reflected in CRA data. Again, the categories that provide automatic non-income-tested coverage, such as being an IA recipient, mitigate that concern in some cases. In other cases such as Fair Pharmacare, it is possible to request a family income review that gives the program the ability to respond to changes in circumstances more rapidly, but one must know that manual application option exists for a benefit that most people regard as automated once eligibility is established.

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<sup>61</sup> IA recipients must meet the residency requirements for PharmaCare to receive coverage.



### *Public trust*

These programs are effective in terms of public trust. The cost of PharmaCare is accepted as a part of the B.C. health-care budget and is well recognized as providing a valuable basic service, MSP supplementary benefits are not sufficiently material to attract attention, and the Healthy Kids Program is well regarded as beneficial for children. Neither has any material economic implications or labour supply effects; even the benefit notches arising at incomes of \$42,000 for the Healthy Kids and MSP supplementary benefits programs are not likely to be visible enough to affect work incentives. The administrative approach to PharmaCare, where payment is applied automatically at point of sale, is a light-touch approach, particularly from the perspective of users.

### *Conclusion*

These programs are examples of basic services that align relatively well with our analytical framework. The primary issue with MSP supplementary benefits is their narrowness compared with both the extended health benefits available to IA recipients and the Healthy Kids Program. Extended health basic needs can be devastating to any low-income family. Cash transfers are poorly suited to covering costs that may be catastrophic for some and non-existent for others.

PharmaCare provides much more complete coverage for prescription drugs as well as certain consumables and medical equipment, but the range of covered goods is also more limited in these areas than what is provided to IA recipients. PharmaCare provides a potential model for delivery of some basic services, but in part it benefits from covering items that are available only from licensed sources, primarily pharmacies, all of which are required to participate in a government information technology system. However, the deductible and family maximum approach that varies with income may be applicable in other areas as well, even if point-of-sale payment could be more challenging. Accessibility to these basic services would be further improved if the income tax system were more responsive, approaches such as automatic pre-population of tax returns for low-income individuals were used, and there were an ability to consent to sharing of tax data with benefits programs on tax returns to avoid the need to apply separately for the programs.

## 5.3 Housing programs

### Program feature summary<sup>62</sup>

Housing programs supported by the B.C. government are provided through a Crown corporation, the British Columbia Housing Management Commission (BC Housing), which operates the programs, and its associated agency, the Provincial Rental Housing Corporation, which holds property for low-income and social housing in B.C.

Housing programs that are part of the income and social support system can be divided roughly into two streams: supply-side programs to increase the stock of housing available, and demand-side programs to assist those in need in accessing housing, through various forms of rent subsidies. In addition, BC Housing provides licensing and consumer services directed at residential construction and home ownership, including licensing builders and providing new home warranties, which are neither income nor social support programs.

On the supply side, BC Housing operates both by directly buying and building residential properties, and by funding not-for-profit agencies to provide residential accommodation. These activities are focused on homelessness (11,024 housing units in 2018/19), supported housing for those with special needs (17,334 housing units in 2018/19, including 875 spaces for women and children fleeing violence), and social housing for low-income households (40,100 housing units in 2018/19).

BC Housing demand-side programs include rent supplements provided through the Rental Assistance Program (RAP) and Shelter Aid for Elderly Renters (SAFER). BC Housing also owns or contributes to the financing of Rent Geared to Income (RGI) housing units. In addition, BC Housing supports the housing costs of residents in properties dedicated to reducing homelessness and supported housing, but these are in part supply-side programs.<sup>63</sup>

In RGI housing units, eligible families pay no more than an established proportion of their household income in rent and direct housing costs, usually 30%. Eligibility criteria include residency status and household income, which varies by location within the province from \$23,500 to \$96,000. Typically, RGI housing is also subject to an asset test (BC Housing uses a \$100,000 maximum, excluding personal effects, registered

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<sup>62</sup> More information about B.C. housing programs can be found at <https://www.bchousing.org/housing-assistance>

<sup>63</sup> For more detailed description and assessment of B.C. demand-side housing programs, see Mendelson and Kesselman (2020).

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savings plans, and certain other assets). Access to these programs is limited by the stock of available units, resulting in wait-lists, and priority is given to certain groups for certain buildings. Eligibility is determined by BC Housing, and the difference between RGI rent and market rent is provided to not-for-profit operators to cover any shortfall in operating costs versus rent revenues. The funding is provided through contractual arrangements between BC Housing and the operator.

RAP provides rental subsidies to eligible families who do not live in RGI housing. Eligibility requirements include a residency requirement (i.e., must be a citizen, permanent resident, or government sponsored refugee), being under 60 years of age, having at least one dependent child, spending more than 30% of income on rent, an income test (less than \$40,000 gross household income) of which some must come from earnings or EI, an asset test (maximum \$100,000), and not receiving IA.

SAFER provides rental subsidies to eligible seniors (60 years and above) who do not live in RGI housing. Eligibility requirements include a similar residency requirement, an income test that varies with location and whether single or couple, spending more than 30% of income on rent, and not receiving IA. The gross income thresholds for eligibility are monthly income of less than \$2,550 for a single person and \$2,750 for a couple in Metro Vancouver, and \$2,446 for a single person and \$2,666 for a couple in the rest of the province.<sup>64</sup>

As discussed earlier, IA beneficiaries are provided with a shelter allowance along with an unrestricted cash benefit for general support purposes. The shelter allowance is a fixed dollar maximum amount per month dependent on household size, and it is paid only up to the actual rent outlay of the household. Because of the high rents in most of B.C. and the modest level of the shelter allowance, most IA beneficiaries spend the full amount on rent or incur rent costs exceeding the allowance. Thus, while IA shelter allowance has the formal structure of an in-kind benefit, for most beneficiaries it is very much like an unconstrained cash benefit since at the margin they bear the full cost of any additional rent.<sup>65</sup> IA beneficiaries are also eligible for many of the other B.C. housing programs with the exception of RAP and SAFER.

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<sup>64</sup> For comparison, \$2,446 monthly corresponds to \$29,352 annually, and \$2,750 monthly corresponds to \$33,000 annually.

<sup>65</sup> This situation is described as an in-kind benefit that is “infra-marginal” to the recipient’s actual spending on the targeted item, which is predicted to influence their spending choices no differently than an equivalent amount of unconstrained cash transfer; see Kesselman & Mendelson (2020) and Mendelson & Kesselman (2020).

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It is notable that the major urban areas of B.C. have experienced rapidly increasing housing prices and rental costs for two decades, arising from an imbalance in demand and supply. Many factors on both the demand and supply sides of the market have contributed to this situation, increasing the number of people unable to meet their basic needs. The proportion of a family's income needed to meet basic housing needs has increased. That has resulted in people both being unable to afford an appropriate level of housing consistent with their family composition, and compromising other basic needs because of the proportion spent on rent. The government has responded in a variety of ways, including significant increases in capital spending to add to the stock of social housing, and tax measures to reduce demand for residential properties purchased for investment rather than accommodation purposes. The programs focused on homelessness have become increasingly integrated with other services related to homelessness, mental health, addictions, and the opioid crisis, policies that are important to advance further.

### **Applying the analytical framework**

As a group, the demand-side and supply-side housing programs comprise a set of programs intended to provide a housing basic service through both cash subsidies and in-kind benefits.

### *Adequacy*

The B.C. Housing programs raise two adequacy concerns. First, the relatively low and inconsistent level of support provided through the rental assistance programs is insufficient to address the housing needs of those who qualify. Second, program coverage is limited because of the linkage of subsidies to the availability of social housing and, for market housing, the RAP program is limited to families with dependent children where some of their income comes from employment or EI benefits. As a result, some in need as defined by program eligibility criteria are left without services, and the benefits provided by RAP are insufficient to fully address needs. These shortcomings clearly represent a trade-off with the cost of the programs, which would be very high if they were to provide sufficient supplements and sufficient subsidized social housing to meet all needs. However, for those who are successful in getting subsidized social housing, having accommodation that is appropriate for the family composition at a cost of no more than 30% of income is a fully adequate benefit.

### *Accessibility*

The approach is not simple in the sense that several programs apply different criteria, application processes, and benefit levels that are not well understood by the public. Eligibility criteria require applicants to provide considerable information and require recipients to report changes, which is inherently intrusive and creates a certain amount of stigma or loss of dignity. Significant barriers to access exist as well, especially the inadequate availability of subsidized social housing to meet the needs of all those who are eligible.

Finally, the lack of integration between IA and the RAP program creates a barrier to access, since those who exit IA because of income earned then must try to get rental support from this programs. If they are lucky enough to get subsidized accommodation but their income falls and they must go back on IA, they lose the benefit again. This situation adds to the barriers to exit from Income Assistance discussed above.

### *Security and responsiveness to personal change*

For those who successfully get subsidized accommodation, the benefit is stable and responsive to changes in income, setting a cap at 30% of income. For some beneficiaries of other housing programs, such as RAP and SAFER, the funding formula brings recipients to about 32% of income if they are able to locate a rental unit where the rent is below the rent ceiling for the program. However for those whose rent exceeds the ceiling, the shelter consumes a higher proportion of their income. Unless the SAFER or RAP programs received funding to increase the rent ceilings regularly, even at the level of rent increases allowed by the Residential Tenancy Regulation, this means that those paying rent above the maximum rent ceiling must absorb the entirety of future rent increases

### *Public trust*

The important element of public trust for these programs is the fiscal cost associated with program capital and operating costs. Administration through a Crown corporation together with a significant number of not-for-profit partners who operate the buildings is relatively efficient. Given that the available social housing is limited and the rent subsidy programs are uneven, the lottery element to this policy challenges our notions of fairness and, through that, could affect public support for the housing programs in general.

### *Conclusion*

The current set of programs is a targeted approach to increasing the supply of low-income housing and housing for certain groups with specific housing needs, but the amount of additional supply that can be built is finite and limited by fiscal considerations. With the access to RGI housing units limited because there is more demand than available units, some who would otherwise be eligible are excluded. That suggests that consistency with our framework could be improved with a rental assistance benefit that is easier to access and that applies more generally to all those who meet income-based eligibility tests and whose benefit phases out as income increases. However, any such benefit should not detract from efforts to increase low-income housing supply and, in particular, efforts to reduce homelessness through provision of housing together with additional required services and cash transfers.

### **5.4 Home owner grant**

#### **Summary of program features<sup>66</sup>**

The home owner grant (HOG) is a measure that reduces property tax for most homeowners. It essentially provides a fixed reduction in property taxes of \$570 per year for the principal residence of B.C. residents, with higher amounts provided to seniors, those with disabilities, and low-income veterans. There is an assessed value threshold above which the grant is phased out, with the threshold adjusted annually to maintain the proportion of the housing stock that is eligible for the grant. Low-income owners who qualify for the higher grant can apply to have any benefit that was phased out returned to them. The specifics of the program have little relevance for the purposes of this analysis.

This is a program that, in some ways, is the opposite of an income and social support: it benefits home owners, who on average have higher incomes and wealth than renters, and it does not impose an income test. We have included it in our description of the existing systems because it is a large transfer that is related to the ones we are discussing, but it does not target those with limited resources. The HOG is a housing-related program, and shelter is clearly a basic need, but the HOG does not directly act to improve access to shelter.

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<sup>66</sup> More information about the home owner grant can be found at <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/annual-property-tax/home-owner-grant>

### Applying the analytical framework

Rather than analyzing each of the characteristics separately, a summary level of analysis seems most appropriate. The HOG lacks adequacy because it does not help people meet basic needs, since it is provided directly to homeowners but not to the renter population that is facing much more severe problems of housing affordability. However, the HOG is easily accessible as part of the annual property tax payment process, without significant barriers to access and with no stigma attached. The cost of the program is significant, at \$817 million in 2019. Our conclusion is that this is a costly program that does not target any group clearly in need or achieve any evident public policy objective. The funds used to cover the program's high cost could be much more effectively used for addressing basic needs.

## 5.5 Child care programs

### Summary of program features<sup>67</sup>

Support for child care in B.C. is a basic service program area provided through a set of programs directed toward both increasing the supply and affordability of licensed child care spaces in the province (supply side) and providing financial support to parents requiring child care services (demand side). While public programs for child care have been available in B.C. for decades, they were substantially overhauled in 2018 to enhance both supply- and demand-side supports.

Supply-side programs include both support for licensed child care operators to increase the capacity of facilities, to reduce fees charged to parents, and to support the increased operating costs of additional spaces, as well as support to recruit, train, and retain early childhood educators. These programs include Child Care Operating Funding and the Child Care Fee Reduction Initiative. Both programs provide funding to licensed child care facilities that accept subsidized families to cover operating costs for facilities and, to reduce and stabilize parents' monthly child care fees respectively. In addition, the associated Early Childhood Educator Wage Enhancement program and New Spaces Fund subsidize eligible worker wages by \$2 per hour and provide capital cost funding, respectively. Together these programs are intended to increase the supply of spaces and the workforce needed to expand capacity.

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<sup>67</sup> More information about child-care programs can be found at <https://www2.gov.bc.ca/gov/content/family-social-supports/caring-for-young-children>

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The primary demand-side program is the Affordable Child Care Benefit, which is an income-tested subsidy available to parents accessing either licensed child care facilities or other unlicensed child care arrangements. It pays benefits directly to licensed and registered child care facilities on behalf of the parent or directly to the parent where the care is in the child's own home. Features of the benefit structure include the following:

- The benefit structure generally has a maximum subsidy amount and an income exemption above which the subsidy is phased out as income increases up to a break-even point where the benefit is reduced to zero, consistent with the benefit structures discussed in Part 3.
- The maximum subsidy amount, income exemption, and break-even point vary with the type of child care arrangement: licensed group child care facilities have the highest maximum subsidy amounts, income exemptions, and break-even points, followed by licensed family providers, registered and unregistered licence-not-required facilities, and then child care in the child's own home (see Figure 4-13).
- For each type of child care, the maximum subsidy amount also varies with the age of the child and the amount of child care provided, but the other parameters (income exemption and break-even point) are unaffected.
- For the purpose of determining the subsidy amount, income is calculated using family income tax data for the previous year, equal to total income (i.e., gross income) less social assistance payments and per-child deductions if there is more than one child in the household. Additional adjustments reflect single-versus two-parent families and children with special needs.
- Applicants are required to give permission to use CRA data for subsidy administration purposes, but if CRA data is not available users can provide income information directly using an Income Declaration Form and, if their income is reduced during the year, can ask for a review of the subsidy determination based on directly provided income information.

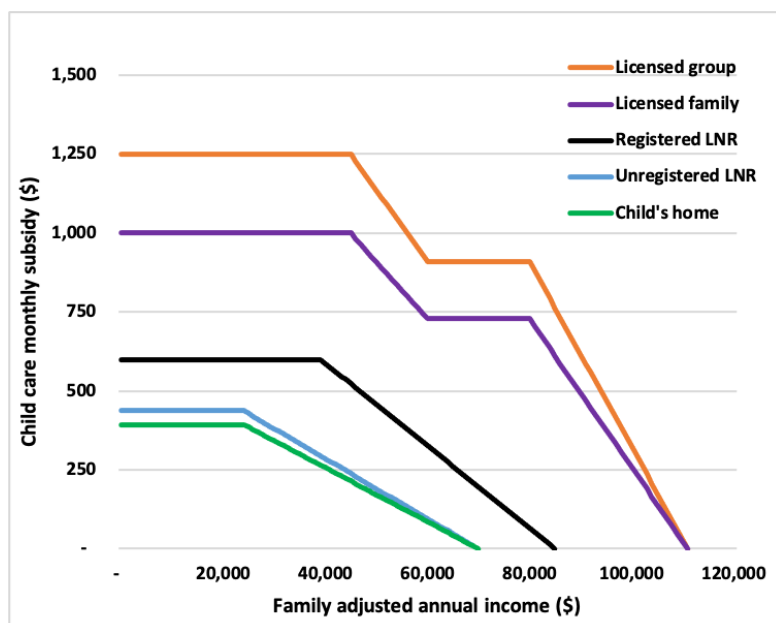
Figure 4-13 shows how the monthly subsidy amount varies by the type of child care and family income level for a child under 19 months, to illustrate how the benefit structure works. As can be seen, the structure is somewhat unusual for subsidies related to licensed facilities. The subsidy amount begins to be phased out at the exemption level of \$45,000 of income, but the benefit reduction rate reverts to zero between incomes of \$60,000 and \$80,000 before resuming up to the \$111,000 break-even point. (The B.C.



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Child Opportunity Benefit has a similar feature, also containing a flat section for a range of incomes up to \$80,000.)

*Figure 4-13: Child care subsidy for child under 19 months*



### Applying the analytical framework

The demand-side and supply-side child care programs combine to provide a child care basic service that is intended to increase the capacity of the system to make child care more accessible and to reduce the cost of child care for low- and middle-income British Columbians, through a combination of facility operating subsidies and subsidies for parents.

### Adequacy

Significant resources have been added over the past few years, which have acted to increase capacity and affordability. The stated aspirational objective is to achieve universal child care in the sense of having affordable child care available to every family that wants or needs it. Access to child care is a barrier to working and other forms of participating in society that many low-income parents face, whether in single-parent or two-parent families. This is especially true for mothers.

The current suite of programs is a step toward increased adequacy and is especially helpful for low-income families who can both find jobs with hours consistent with licensed child care facilities hours and find a facility with available capacity. The combination of the Affordable Child Care Benefit and the Child Care Fee Reduction

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Initiative may fully cover the fees of families with income up to about \$45,000, and make a significant contribution to child care costs for families with income up to at least \$80,000. However, for those with non-standard work hours and little choice but to have child care in the home or in a licence-not-required facility, the available subsidy is considerably less adequate, as Figure 4-13 shows.

### *Accessibility*

The Affordable Child Care Benefit is somewhat complex, since it has several factors that affect the amount of subsidy making the amount a family is eligible for difficult to predict. This concern is mitigated by having a benefits calculator available,<sup>68</sup> the Child Care Service Centre available to provide phone advice, and a system of not-for-profit organizations (Child Care Resource and Referral Centres) established to help both child care operators and parents seeking child care to navigate the system. Licensed and registered child care providers are also typically aware of the subsidy program and can assist users.

There is little stigma attached to getting the Affordable Child Care Benefit. In most cases, all that is required is completion of an online application form and a physical form with the child care provider, and eligibility criteria are objective, clear, and not unnecessarily intrusive.

Provided that child care itself can be accessed, the barriers to accessing the subsidy are relatively low. As discussed above, there is a general concern about programs that rely on income tax information to establish eligibility and benefit levels for two reasons. First, if tax filing is a requirement, barriers to tax filing, especially among vulnerable populations, can create barriers to accessing the benefits, although this is unlikely to affect many families where child care is needed because the parent or parents are working and likely to file taxes. While the subsidy program uses tax information, it provides an alternative where taxes have not been filed, which enhances accessibility. Second, use of the previous year's tax information to set subsidy amounts is not very responsive to changes in personal circumstances. However, this is mitigated by the ability to seek a review of the subsidy amount if income has been reduced. As a result, recipients who lose a job or have their hours or income reduced can continue to access child care while they seek a new job and, crucially, are less likely to have to give up a child care space that might be difficult to regain when they go back to work.

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<sup>68</sup> <https://myfamilyservices.gov.bc.ca/s/estimator>—The estimation provided in this service is not a guarantee of payments and does not take into account all circumstances, but it is a useful guide.

The fact that the recipient's subsidy level is adjusted just once each year unless a review is requested or a change in circumstances that affects eligibility, provides a secure and stable level of subsidy.

### *Public trust*

Child-care accessibility and affordability have been significant and growing issues for families with children. Those barriers have reduced the rate of parents participating in the workforce and held back families that would be better off if the parents were able to work. The result is that increases in the cost of government contributions toward child care programs have been generally well accepted. The economic incentive effects of child care programs are positive because child care services are crucial to increasing labour supply. The provisions that provide enhanced accessibility and responsiveness require more administrative resources than a program that automatically establishes eligibility and subsidy levels based on income tax data. However, this trade-off among accessibility, responsiveness, and administrative effort seems to be well accepted as necessary for a fair and effective program.

## **5.6 Provincial refundable tax credits**

### **Summary of program features<sup>69</sup>**

B.C. currently offers three generally applicable types of refundable tax credits—that is, tax credits that are conditional only on income and family composition. Refundable tax credits are a form of targeted basic income. The three refundable tax credits are the climate action tax credit, the sales tax credit, and the Child Opportunity Benefit. Table 4-5 shows the expenditure in B.C. related to each of the credits for 2019/20, except for the Child Opportunity Benefit, for which the estimated cost for the first full year, 2021/22, is provided.

These refundable tax credits are in fact cash transfers that are delivered periodically through the year; they use the tax system as a delivery platform but have no direct connection to income taxes other than to use tax information to calculate the level of payments. They are computed and paid independently of whether the recipient is a taxpayer or has outstanding taxes owing. That is particularly important for low-income individuals who pay little or no income tax because of their low-income status and who

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<sup>69</sup> For more information about B.C. tax credits, see <https://www2.gov.bc.ca/gov/content/taxes/income-taxes/personal/credits>

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benefit from the cash transfers generated through refundable tax credits. The federal government also provides refundable tax credits, including the Canada Child Benefit, the goods and services tax/harmonized sales tax (GST/HST) credit, and the Canada Workers Benefit.

*Table 4-5: B.C. provincial refundable tax credit cost*

<b>Tax credit</b>	<b>Full-year cost (\$ million)</b>
Climate action tax credit	255
Sales tax credit	45
Child Opportunity Benefit	400
Total	700

The climate action tax credit uses the approach discussed in Part 3 of a maximum benefit that is received up to an exempt level of income, after which the benefit is reduced at a benefit reduction rate of 2% of income until the benefit is reduced to zero at the break-even point. The benefit can be claimed by one tax filer in each family and includes an amount for each adult and child (\$174 and \$51 annual amounts, respectively, in 2020/21, plus a one-time additional payment in July 2020 due to the pandemic). Benefits are paid quarterly starting in July each year, based on the previous year's income, and are added to the federal GST/HST tax credit payment. The income exemption is currently \$35,748 for a single-person family and \$41,706 for a family with more than one person. Income for the purposes of calculating the benefit is adjusted family net income.<sup>70</sup> The break-even point varies with the amount of benefit for the family, from \$44,448 for a single-person family to \$66,756 for a family of five.<sup>71</sup>

The climate action tax credit was established as a consequential change associated with the carbon tax when it was introduced. The tax credit was one of several tax measures that, combined, ensured that the carbon tax was revenue-neutral. It also acted to reduce the regressivity of the tax, ensuring that any carbon tax paid by people earning less than the exemption level was at least offset by the tax credit.

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<sup>70</sup> Adjusted family net income adjusts the combined net income amounts for family members for Universal Child Care Benefit and Registered Disability Savings Plan payments and repayments.

<sup>71</sup> The one-time July 2020 additional payment generates higher break-even points related to that payment.

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The sales tax credit takes the same form, with a maximum benefit of \$75 per adult in the family, a BRR of 2% of income, and an income exemption level of \$15,000 for a family with one adult or \$18,000 for a family with two adults. The sales tax credit also uses adjusted family net income to calculate the benefit amount. The sales tax credit was introduced when B.C. replaced the HST with the provincial sales tax in 2013. The provincial sales tax was reintroduced in a form that was almost identical to the one in place prior to adopting the HST in 2010, and it has remained unchanged since then.

The B.C. Child Opportunity Benefit (COB) was announced in the 2019 budget and took effect in October 2020, replacing the former B.C. Early Childhood Tax Benefit. Relative to the predecessor provision, the COB extended coverage for children from age six through age 17, increased the basic benefit level, and increased the degree of income targeting.<sup>72</sup> The COB also follows the usual approach of reducing benefits with family income, with an added feature of having a range of incomes over which the BRR is set to zero, similar to the approach taken by the Affordable Child Care Benefit.

The benefit is available to income tax filers with children under the age of 18 and is paid monthly in combination with the Canada Child Benefit. The maximum benefits are:

- \$1,600 annually for the first child
- \$1,000 for the second child
- \$800 for each subsequent child

There is an income exemption of \$25,000, at which point the BRR of 4% of income takes effect. There is a range of income between about \$65,000 and \$80,000 for which the BRR briefly drops to zero, shown as the flat sections shown on Figure 4-13. That is created by specifying that for income less than \$80,000 the benefit will not fall below:

- \$700 for the first child
- \$680 for the second child
- \$660 for each subsequent child

As a result, the income range over which the BRR is zero depends on the number of children. For income greater than \$80,000, the BRR is once again 4%.

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<sup>72</sup> For further detail on the COB, assessment, and reform proposals, see Kesselman (2020b).

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The COB uses adjusted family net income for the purposes of calculating the benefit, which is consistent with the sales tax credit and the climate action tax credit. While both of those tax credits were at least initially related to other tax policy measures, the COB is specifically intended to provide income-tested support to families with children, supplementing the much larger refundable tax credit support provided by the Canada Child Benefit.

*Figure 4-14: B.C. refundable tax credit amounts compared with adjusted family net income*

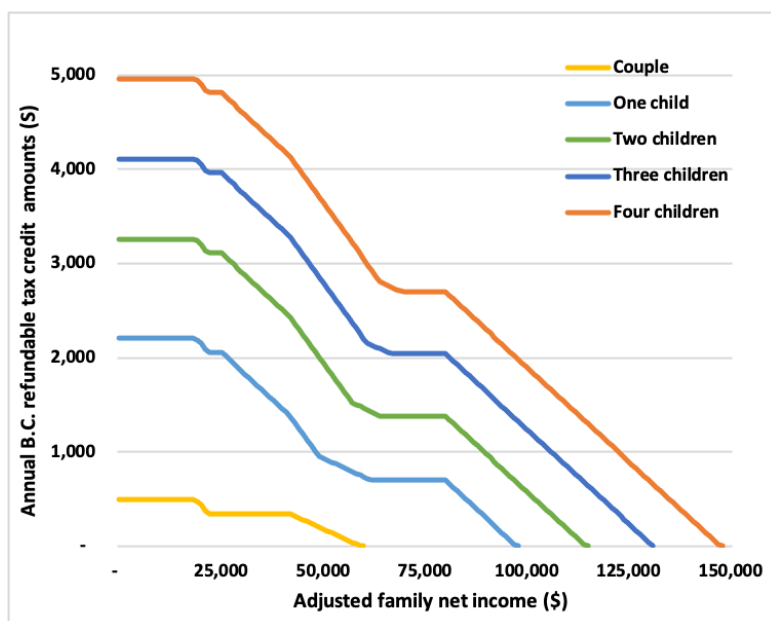


Figure 14-14 illustrates how these different benefit structures, income exemptions, and BRRs for B.C. refundable tax credits combine to create a pattern of net benefits relative to income. The figure is simplified to show only families with two adults plus children. The “notches” and varying slopes of the lines result from the different parameters associated with the three refundable tax credits. The total benefit from these tax credits can be seen as dominated by the presence and number of children in a family; a childless couple receives very little regardless of income, and a childless single person (not shown) even less. Note that all three tax credits have an income exemption, which ensures that those who do not pay income taxes are also not subjected to “effective” tax rates.

### Applying the analytical framework

#### *Adequacy*

The three refundable B.C. tax credits have different levels of adequacy.

The climate action tax credit has been increased whenever B.C.'s carbon tax rate has increased, including in 2018 and 2019, and the income exemption thresholds have been indexed to inflation and increase each year. It has continued to fulfill its original intention of offsetting carbon tax impacts on low-income taxpayers. Without assessing whether the specific amount is fully adequate to offset carbon tax costs for most British Columbians, it is clear that changes are made as necessary to keep the tax credit consistent with B.C.'s carbon tax rates.

The sales tax credit, at a maximum benefit of \$75 annually without change for over a decade, neither effectively mitigates the regressivity of the provincial sales tax nor provides a material benefit to low-income individuals.

The COB represents a clear improvement in the adequacy of B.C. tax credits aimed at families with children. The former tax credit applied only to children under age six and provided a considerably lower maximum benefit amount. Two questions come to mind, though:

- Given the fact that the Canada Child Benefit provides much larger benefits up to relatively high income levels, is it necessary to have a provincial credit for children that also has a relatively high break-even point?
- Is there a practical benefit to having variable BRRs across the income range so that there is a zero BRR for a range of incomes up to \$80,000?

The COB provides a material benefit that combines with the Canada Child Benefit to provide support to families with children. However, the analysis in Part 3 indicates that while poverty rates and depths for children have been improved considerably by the Canada Child Benefit, there is still room for improvement, especially since the federal programs targeting seniors and children have taken the focus away from the provinces in the area of child poverty. An alternative would be to adjust the COB to increase the maximum benefit levels and the BRR to phase out the benefit more quickly (Kesselman, 2020b). The result could be designed to be fiscally neutral while focusing public resources more directly on low-income families.

### *Accessibility and responsiveness to personal change*

The accessibility issues associated with benefits delivered through the tax system or that use income tax information have been discussed in some detail earlier in Part 4 and in Petit and Tedds (2020f). Briefly, the income tax system places high barriers to access on those with low incomes, especially those who do not otherwise need to file tax returns, and the tax system is inherently unresponsive to changes in personal circumstances, with its annual filing cycle taking up to 18 months to respond to a change. Despite these concerns, delivery of benefits through the income tax system has a relatively low level of stigma associated with it, provided the tax filer regularly files returns. Trouble with missing or disputed tax filings can reduce access to benefits and can affect personal dignity. Changes to improve the income tax system's role as providing benefit delivery infrastructure would directly improve accessibility to refundable tax credits.

### *Public trust*

The use of the tax system to deliver benefits is administratively efficient. These tax credits have few material economic impacts. Neither the sales tax credit nor the climate action tax credit is large enough to have any impact on the incentive to work, especially with the income exemptions and low BRRs associated with the credits, in addition to low maximum benefits. The COB has the potential to contribute to increased participation rates and hours worked for parents who face significant costs that are barriers to working, especially together with the Affordable Child Care Benefit. That positive impact could be enhanced by focusing more of its resources on lower-income families.

## **5.7 Youth aging out of care**

### **Background: Outcomes for former youth in care**

There has been considerable debate over the impact on children who have been taken into government care. In the 1990s, the Gove Inquiry into Child Protection in British Columbia concluded that too many children at risk were being left with their families and the system pivoted toward taking more children into care. More recently, there has been some amount of consensus that it is better to focus on keeping children with their families as much as possible. In the academic literature, as well, there are varying estimates of the causal impact on future outcomes of taking a child into care. But regardless of that causal impact, it is clear that being a child in care is associated with poor outcomes later and, for that reason alone, is a good place to focus resources. Moreover, close to 70% of youth aging out of care are indigenous, implying that reforms



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in this area have clear connections to reconciliation issues. This is one reason that we emphasize the involvement of community organizations in our recommendations in this area in Part 6.

According to one study following a small sample of youth aging out of care in B.C. in the mid-2000s, only 32% of these youth had graduated from high school by age 19 compared to 84% for the general population (Shaffer et al., 2016). The graduation rate for former youth in care eventually reached the 50–70% range, pointing to two conclusions:

- the disruptions faced by these children and youth before age 19 have significant negative effects on their education
- they need longer times (and likely more supports) to reach any given level of education

Former youth in care also make heavy use of the Income Assistance (IA) system. Approximately a quarter of the children/youth lived in a household receiving IA just before being taken into care. Then, at age 19 their own IA use rates surpass 35% before settling down to around 29% in their late 20s. But these are rates in each year and understate the extent to which youth aging out of care use the IA system over time.

When we follow the cohort of youth aging out of care between 1998 and 2002 using administrative data, 74% of them used IA in at least one month in the following 15 years.<sup>73</sup> The rate of using IA in the population as a whole for the same period is under 5%. Looking at IA use from another perspective, in 2017, 26,000 months of IA benefits were paid to people who were 21 years old at the time and 19% of that total usage was by former children/youth in care even though they represent a miniscule portion of the total population of 21 year-olds.

Former youth in care also have much greater contact with the criminal justice system than other youth. About 41% of children and youth in care had been involved with the

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<sup>73</sup> In the results based on administrative data in the remainder of this section we used the following data: education data (British Columbia Ministry of Education (2019 a, b, c, d)); justice system data (British Columbia Ministry of Public Safety and Solicitor General (2019 a, b, c)); Income Assistance data (British Columbia Ministry of Social Development and Poverty Reduction (2019)); MSP billing data (British Columbia Ministry of Health (2019a, c)); health outcome data (British Columbia Ministry of Health (2019 b, d)); and death records (British Columbia Ministry of Health(2019 e). All data was accessed through the BC Data Innovation Program. All inferences, opinions, and conclusions drawn in this paper are those of the authors, and do not reflect the opinions or policies of the Data Innovation Program or the Province of British Columbia.

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criminal justice system by age 21 compared to 6.6% for the general population of youth (Kendall & Turpel-Lafond, 2009). Returning to the small-scale longitudinal study, 48% of the cohort followed in that panel had been homeless at some point by the time of their first interview (some of them while on a Youth Agreement). Strikingly, 61% of their sample were pregnant or parenting by age 21 and 19% were expecting their second child (Shaffer et al., 2016). Thus, providing help for this set of people is really helping two generations at once. This result also points to the fact that issues do not begin at age 19. A truly effective response must support continuous improvement in the operational and policy aspects of the child welfare system.

Youth aging out of care have much lower rates of high school graduation (38% versus 84% for other youth of the same birth cohort), are much more likely to be involved with the criminal justice system (28% have such an involvement between ages 23 and 38 compared to 4% of youth from the same birth cohort), are more likely to use IA (they use 52 months of IA by age 40 compared to 4 months for the comparison group; and children in care plus children who were contacted by MCFD but not taken into care make up 49% of IA payments ever made to a cohort of children born in the same year). In addition, 31% of the children of people who were formerly in care are taken into care themselves, compared to 1.5% of the rest of the population. We used these numbers and costed foregone taxes from high school drop outs, costs associated with the criminal justice system and increase IA usage, and other related costs to come up with an estimate of incremental fiscal cost associated with people formerly in government care compared to others in the same birth cohort. In net present value terms at age 19, these costs amount to \$320,000 per person.

Perhaps most troubling, the mortality rates of youth aging out of care are much higher than the rest of the population. According to administrative data, 15% of the people age 19 to 33 who died in 2015 were former children in care. It is hard not to see this as an issue of first order importance. British Columbia has been wrestling with how to help this group of young people for decades without finding a fully effective approach. Several significant moves have been made in the last few years such as free tuition but more is required. Striving to become a just society means making youth aging out of care a top priority, committing the necessary resources in a complete revision of policy that is created in close co-operation with these young adults and the communities that support them.

Numerous researchers and investigators argue that these poor outcomes arise from a background of instability. Anyone taken out of their family home has, by definition, experienced a traumatic event and for many, it is simply one of many traumatic events.

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Many children in foster care shift foster homes frequently so that by the time they reach 19 they do not have a stable relationship with any adult to whom they can turn for support. That is compounded by heavily overloaded case workers who have time only to assess crisis cases and determine whether children should be removed from a home—not time to provide real support to the family and a stable adult relationship for the child.

### Summary of program features<sup>74</sup>

Despite the outcomes reported here, traditionally, few services have been available to this group once they reach 19 and become adults under the law. At this point those receiving services under the child welfare system age out of care.

As indicated in Part 3, Section 2 (Poverty in British Columbia) single adults are the demographic group with the highest rates and depths of poverty, and single adults in the 18–25 age group fare the worst within that group, with almost double the poverty rates. Of course, young adults formerly in care under the child welfare system make up only part of that group, but they are an identifiable sub-group, for which specific programs are clearly needed.

Three primary programs focus on youth aging out of care.

#### *Agreements with Young Adults program*

Launched in 2008, the Agreements with Young Adults (AYA) program is offered to young adults who, up to their 19<sup>th</sup> birthday, were receiving services under a Continuing Custody Order, Youth Agreement, or were in the guardianship of the Director of Adoption or a director under s.51 of the *Infants Act*.

Between the ages of 19 and 26 (inclusive), these young adults can access up to \$1,250 per month (based on assessed need) to cover living expenses while enrolled in a post-secondary educational program, vocational training program, or attending a rehabilitation program or a life-skills program. Life-skills programs are provided by not-for-profit agencies.

Cultural programs are also now included under the AYA life-skills program policy to help Indigenous young adults connect with their culture and traditions.

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<sup>74</sup> For more information, see <https://www2.gov.bc.ca/gov/content/family-social-supports/youth-and-family-services/teens-in-foster-care/aging-out-of-care> and <https://studentaidbc.ca/explore/grants-scholarships/provincial-tuition-waiver-program>

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AYA support is available over scheduled program breaks, such as summer months, but the duration of coverage by AYA cannot be more than four years in total or extend beyond the recipient's 27th birthday.

### *Provincial Tuition Waiver Program*

Introduced in 2017, the Provincial Tuition Waiver Program is managed in partnership with the Ministry of Advanced Education, Skills and Training and waives tuition, mandatory fees and deposits for former youth in care attending any of 25 public post-secondary institutions or 10 union trades training centres.

To be eligible, the person must have been in care<sup>75</sup> for at least 24 months at any time and either: be 17 or 18, no longer in care, and have graduated from high school; or be between ages 19 and 26. The program covers a wide range of programs, including courses leading to a post-secondary credential, apprenticeship training, and courses related to lifelong learning and labour market competencies, but does not include graduate programs or Adult Basic Education.

### *Youth Educational Assistance Fund*

Introduced in 2002, Youth Educational Assistance Fund provides eligible young adults from care with funding for post-secondary education and vocational training. MCFD funds this program, the B.C. student financial aid program receives applications from students, and Victoria Foundation administers grant funding. It provides up to \$5,500 per year to qualifying full-time students for up to four years.

To be eligible, a person must be between 19 and 24 years of age; aged out of care on their 19th birthday from a Continuing Custody Order or subject to a Continuing Custody Order for at least five years before being adopted or having custody transferred to a person other than a parent; and taking post-secondary courses at a recognized post-secondary institution in an eligible program, at least 12 weeks long and leading to a certificate, diploma, or degree. This includes academic, vocational, and trade programs.

Recipients of Youth Educational Assistance Fund funding can also access the Provincial Tuition Waiver Program and Agreements with Young Adults.

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<sup>75</sup> Care is defined as a Continuing Custody Order, Temporary Custody Order, Special Needs Agreement, Voluntary Care Agreement, Youth Agreement, Adoption, Extended Family Program, Permanent Transfer of Custody Order, Temporary Transfer of Custody, Interim Custody Order or Child in Home of Relative.

### Applying the analytical framework

#### *Adequacy*

For some individuals, these programs may all apply at the same time. Monthly AYA payments are about equal to monthly Disability Assistance payments for a single adult, prior to the \$300 per month COVID-19 top-up; combined with the tuition waiver and education assistance grants, this provides significant support for those able to attend post-secondary education and training. However, for those who are unable or unwilling to engage in post-secondary programs, the benefits are considerably less adequate. People are eligible for the AYA program only while attending post-secondary education or training, or while they are attending rehabilitation or mental health programs, receiving post-program care, or engaging in life-skills training. Once they are no longer eligible, support is immediately cut off. Four years of eligibility is probably not sufficient for some, especially those who struggle with the trauma of having ‘lived experience’ in the child protection system compared to their non-care peers and those who have to address educational gaps prior to engaging in post-secondary education.

While the support available to the few who qualify for all three programs is significant, the support for most people in this population is not. Many require social supports in order to get the point where they can reasonably consider post-secondary education; life-skills programs only partially provide these supports, and many people require more wraparound support to prepare themselves. In addition, failure to succeed in any of the education or program streams under AYA results in loss of support as a breach of their agreement under AYA, and no support is provided to help them try again or try something else. Adequacy could be improved by providing stable, ongoing support in terms of cash transfers and basic services sufficient to meet basic needs for a reasonable period to enable people to transition into independent adulthood.

Another element of adequacy is the extent to which the programs provide the type of support that is needed. Youth Agreements for youth aged 16 to 18 and AYAs are contracts requiring the youth to meet specific requirements. There appears to be limited room for these children and young adults to fail, as many of us do at that age.

Essentially, young people who have grown up with the least stable background in our society are being asked to hold up their side of a contract—something that even youth from homes with considerable support will find hard to do. In the AYA program, too, the youth now aged out of care are being asked to meet standards requiring considerable maturity without even the safety net of the child welfare system. When a child from a higher socio-economic background home fails out of university or loses a job, they can

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move home, regroup, and try again. Youth aging out of care don't have that kind of support, whether they are under an AYA or not, an indication of program inadequacy.

### *Accessibility*

While there were lower uptake rates for the AYA program in 2015 (12% in 2015, according to Shaffer et al., 2016), suggesting that there are barriers to accessing this most widely available of the three programs, more recent numbers indicate this uptake is on the rise. 35% - 37% of those 19 years of age transition directly to AYA. The overall cohort of 19 to 27 had a 16% uptake in 2019. This more recent success validates the benefit of having a current or recent connection/relationship with someone in the ministry or a Delegated Aboriginal Agency.

The inconsistency in the eligibility requirements for the three programs and limits in both the time during which support is available and the age range it available for may also be confusing. Work is underway to streamline funding opportunities.

There is also concern about the requirement to continue to deal with the ministry that controlled their lives as children and youth in care and that many may not trust after years in care. Treating these young people with dignity and support despite setbacks is key. Access would be improved by providing former youth in care with automatic access to a set of services and sufficient financial support with less strict agreement-based enforcement mechanisms.

### *Responsiveness to personal change*

The current programs are responsive to change but in a way that defeats the objective of helping former youth in care transition into independence, self-sufficiency, and engagement in society. Rather, they need a service safety-net that ensures that basic needs are met as they transition to adulthood from a much less than ideal childhood in most cases.

### *Public trust*

Given the poor outcomes associated with former youth in care, and the extension of the moral responsibility of society to children and youth in need of protection to ensure that they have a reasonable opportunity in life, it is hard to imagine that there would not be general support for providing an increased level of support. The notion of reciprocity inherent in the AYA program is understandable as way to encourage people who apply for the program to be accountable for making effective use of the support. However, the result more likely is to defeat the purpose of supporting people who in many cases need

additional support and several tries to be successful. A set of financial and basic service supports that is effective in ensuring that more people transition more successfully would more than likely have beneficial economic and fiscal impacts as more of this group have more success throughout their adult lives.

### Conclusion

The move over the past few years to provide additional supports to former youth in care has resulted in significant improvement. However, there remains room for more improvement in terms of providing former youth in care with more accessible and adequate support, both financial and social, to enable a successful transition to adulthood, a transition that can be challenging even for those with much less difficult childhoods. While we have only reviewed programs for former youth in care here, others who are vulnerable as they transition to adulthood due to childhood family poverty could also benefit from similar wraparound supports.

### 5.8. Labour market regulation

#### Why is labour regulation important?

To this point, we have focused on the current income and social support system, which is in essence a set of policies related to income redistribution (through taxes and transfers) or service provision (such as housing). However, there is a third broad category of policies that can affect the justness of societies: regulation. Government engages in a very broad range of regulatory activity with diverse public policy objectives, including for some specific goals that are related to the income and social support system, such as the licensing of child care facilities, for example. We generally consider a review of regulatory activities to be out of scope for our purposes. But there is one regulatory area that we believe needs to be considered as a potential area for reform closely aligned with our justice-based objective—the regulation of work.

We believe labour market regulation is important for our purposes because, as the philosopher Elizabeth Anderson (2017) points out, people spend a considerable part of their lives in paid work and the conditions of justice within employers—conditions related to feelings of control and respect—are, therefore, of central concern for the justice of society as a whole. More specifically in terms of our tasks, working conditions and wages interact vitally with the need for income and social services.

From the perspective of employable people, there are “good jobs” (i.e., having working conditions that embody respect, work arrangements that allow the worker some control

over their hours, etc., and pay good wages) and “bad jobs” (i.e., having a disrespectful environment, low control, and low wages). Changing the balance by increasing the proportion of good jobs would make it easier to exit Income Assistance. It would also reduce the need for redistribution to, for example, meet poverty goals. In essence, policies that shape working conditions and wages have direct implications for the income redistribution and service provision policy arena of the income and social support system.

Evidence in Part 3, Section 4 (Labour Market Trends) shows that over a third of employees in B.C. are in precarious work arrangements (temporary, contract, own-account self-employment, and part-time work). There has also been a gradual rise in fissured work arrangements where workers at a workplace are actually employees of a third party. All of these work arrangements have the potential to provide flexibility to both workers and employers but also to be sub-standard with low levels of control over work, wages and respect for workers. The example of fissured workers in long-term care homes, where issues with scheduling and low pay contributed to COVID-19 related problems, points to an imbalance in worker and employer interests.

Recent discussions have raised concerns that these work arrangements are on the rise because of an expanding role of artificial intelligence in particular and disruptive digital technology business model in general. There is little evidence of such a trend for B.C. but the level of use of these work arrangements has been high since the 1990s and remains an ongoing concern (Green, 2020d).

What is the best approach to addressing concerns about precarious and fissured work arrangements? One possibility is that providing adequate incomes and services can have indirect effects on these arrangements by allowing people to walk away from bad jobs. This is an argument that has been raised in favour of a basic income. It is possible, however, that a basic income might have the opposite effect—acting as a backstop for workers that reduces their interest in resisting transitory work arrangements. Moreover, this is quite an indirect approach. Regulation provides a more direct way to improve the quality of work and, through it, this dimension of the justness of society.

### **Regulatory policy considerations**

Policy decisions in the area of regulation are complex as they involve many dimensions and a balancing of interests. As Anderson (2017) points out, employers have a legitimate need for control over what workers do while at work in order to function



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effectively. At the same time, that control necessarily raises issues related to worker feelings of self-respect, which is rooted in their need for autonomy.

Justice in all of society's institutions is about finding balance and it is no different in this realm. Our assessment is that the conditions of work and the nature of control over work arrangements are not in balance in B.C. at this time, and our recommendations in Part 6 are intended to move toward a more balanced equilibrium. Our treatment of this issue, though, proceeds while keeping clearly in mind concerns about becoming unbalanced in the other direction, harming employers, the work opportunities they provide, and the economy more generally.

We can think of the question of finding greater balance in three main parts.

The first two relate to the content and applicability of the regulations. Especially after changes made in the last two years, the existing set of employment standards provides employees with a set of protections that seem to be generally recognized as striking a reasonable balance. But there remain questions about the extent of their applicability and enforcement. If the standards are fair and reflect a reasonable balance they should be enforced generally; if not true either generally or for specific industries or circumstances, the standards should be re-evaluated and then the resulting standards enforced. Thus, the first two questions are:

- Should there be changes in regulations to further reduce precarious and fissured work and how would changes affect the balance between employer and employee interests? For example, should we discourage the use of unstable work arrangements through rules about hours setting?
- Should there be changes in the extent that the standards apply across the sector and how they are enforced, to ensure that they are effective in achieving the desired balance?

The third are issues related to unionization and worker collective rights—essentially, setting up arrangements that support workers and employers themselves finding the right balance.

The set of issues and suggestions we discuss here is not intended to be an exhaustive discussion of labour regulation issues. Starting from the description of the B.C. labour market in Green (2020d), our focus is mainly on issues related to fissured work and the incomplete regulatory coverage of workers.

### Analysis of current B.C. labour regulation

Labour regulation is a split jurisdiction under Canada's constitutional set of federal and provincial authorities. Most employers and employees fall under provincial jurisdiction.

Federal labour regulation falls under Part III of the *Canada Labour Code* and applies to employers and employees in the federally regulated private sector, which includes banking, telecommunications, international and inter-provincial air, rail, road and maritime transportation, and federal Crown corporations. Workers in these industries make up approximately 5% of the Canadian labour force (Johal et al., 2019).

Approximately 90% of workers fall under provincial jurisdiction, with the remaining 5% being federal public sector employees. There are important issues related to “cracks” between the two systems where workers are either not covered or incompletely covered. We will return to those cracks at the end, but we will start with the provincial system.

The relevant regulatory provisions in B.C. fall under two acts: the *Employment Standards Act* (ESA; Government of British Columbia, 2020) and the *Labour Relations Code*.

The first two stated goals of the ESA are to:

- ensure that employees in British Columbia receive at least basic standards of compensation and conditions of employment
- promote the fair treatment of employees and employers

To do this the ESA sets out minimum standards as well as procedures for ensuring those standards are met. Thus, the ESA relates primarily to the first two of the earlier questions.

The *Labour Relations Code* governs unionization and collective bargaining, and is the subject of the third question posed above.

### Issues falling under the *Employment Standards Act*

The ESA sets employment standards that apply to several aspects of the relationship between employers and employees including:

- hiring employees, requiring that employment agreements meet minimum ESA standards, employees are informed of their rights, jobs are not misrepresented and special rules for certain occupations and foreign workers are followed
- taking time off from work for vacation and various life situations

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- statutory holidays, including pay for working on those days
- ending employment, including the right to quit, and the requirements for firing or laying-off an employee
- scheduling, including standard hours of work, overtime, minimum daily hours, breaks, minimum rest and travel time provisions
- licensing of employment agencies, talent agencies and farm labour contractors
- getting paid, including minimum wage, deductions, tips and gratuities and paid time off
- specific rules for employees in defined groups, including young people, commission sales, taxi and truck drivers and certain specific occupations such as high technology, oil and gas, domestic workers, farm workers, loggers, silviculture workers and aquaculture workers

One issue of particular significance in terms of poverty and justice is the minimum wage. In October 2017 the B.C. government established the independent Fair Wages Commission “to advise government on how to raise minimum wages with increases that are regular, measured and predictable.”<sup>76</sup> The Commission has three tasks—to recommend a path to a \$15 per hour minimum wage, to recommend ESA changes related to alternate wage arrangements, and to advise government on addressing the discrepancy between the minimum wage and a living wage. Reports covering the first two tasks have been completed and changes corresponding to those tasks have been implemented or are in process. As a result, we do not specifically address minimum wages in this section.

As noted above, there is general acceptance that the set of standards in the ESA after recent changes strikes an appreciate balance. In 2019, the government enacted a major package of ESA regulatory reform measures that affected both policies about administration of ESA regulatory provisions and the standards themselves. The changes included:

- Self-Help Kit elimination—Previously workers seeking enforcement of employment standards at work were required to a mandated Self-Help Kit to initiate a discussion with their employer before any enforcement action could be

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<sup>76</sup> See <https://engage.gov.bc.ca/fairwagescommission/>

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taken by the regulator, the Employment Standards Branch (ESB). This step was eliminated, an important move toward more balance in regulatory enforcement.

- ESB requirement to investigate all complaints accepted for resolution—Previously, investigations were not necessarily carried out (a position rationalised as being in the interest of the speedy resolution of cases). This change sets the stage for a more proactive investigative approach to potential violations of regulations.
- Requirement for employers to inform workers of their rights—This change could help reduce situations where employers misrepresent the nature of the work relationship and whether the particular arrangement is subject to employment standards.
- Licensing for temporary help agencies—This is a step in addressing the fissured workplace issues we discuss below.
- Changes to employment standards about the situations that give rise to job-protected leaves and to improve wage-recovery provisions.

Our first point of interest is how broadly employment standards apply across the entire economy and range of worker arrangements, and how effective the administration and enforcement of the standards is in ensuring compliance. That is important because whether or not the standards are achieved in practice by employers affects the living standards of the affected workers.

It is also important because it affects fair competition in the marketplace. Meeting regulatory standards of any kind imposes a cost on those being regulated. In the case of labour standards, that creates an incentive for employers to avoid those costs, whether by not complying or by finding ways to avoid the standards applying to them such as by avoiding their workers being considered as employees covered by the act. The vast majority of employers, nonetheless, do comply with the standards and accept the attendant costs. But that means that employers that do not “play by the rules” gain an unfair advantage. Effective enforcement and definition of coverage is needed to insure competitive fairness.

### *Definition of employee*

The ESA standards apply to “employees,” so the first key question is who is an employee, especially in terms of specific exemptions in the act. A key element of this is

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deciding how to distinguish employees from independent contractors, and who bears the onus of proving whether a worker is or is not an employee.

The *Guide to the Employment Standards Act and Regulation* (Government of British Columbia, 2020), states:

The definition of “employee” as discussed above, as well as the definitions of “employer” and “work” are intended to cover as many work relationships as possible. The Act is benefits-conferring legislation. It must be construed in a broad, generous and purposive manner. Any doubt arising from how the definitions fit a particular fact situation is to be resolved in favor of the worker.

Section 4 of the Act prohibits employers and employees from contracting out of the Act. For this reason, a worker is not an independent contractor simply because they signed a written agreement to that effect.

Further, in distinguishing whether a worker is construed as an employee entitled to the benefits and protections required to be provided by employers under employment standards, or a contractor not entitled to such benefits and protections, the guide states:

The longer a person works for another, the more closely the worker’s duties are connected to the purpose of the business and the more the person who pays the worker controls the material, directs the activities and earns the profit or suffers the loss, the more likely it is that the relationship is one of employer/employee.

The effectiveness of legislation, of course, is determined not only by its language but also by the interpretation given to that language by the courts. In that regard, it is important that the British Columbia Law Institute (BCLI; 2018) states that “Numerous court and tribunal decisions have held that the terms “employer” and “employee” in the ESA must be applied broadly, in light of the purposes of the Act, so as to extend to a wide range of circumstances.”

The broad interpretation and the focus on whether a worker is doing work “connected to the purpose of the business” is important in light of recent events in other jurisdictions. Most notably, California has taken steps to define “gig” workers such as those working for ride-sharing companies as employees rather than independent contractors (as some ride-sharing companies define them). It has set out an “ABC” test that says that the hiring employer must establish three points for a worker to be defined as a contractor: that their work is not directly controlled by the hiring employer; that they typically do

work of the type they are contracting for (e.g., they have a trade); and “that the worker performs work that is outside the usual course of the hiring entity’s business.” (Johal et al., 2019).<sup>77</sup> This test, and especially the last point, seems quite similar to the description of the ESA definition of an employee set out earlier. At this point, the determination of how the ESA applies to specific cases such as ride-sharing companies operating in B.C. is yet to be determined by either the ESB or the courts, and the results may vary depending on the specific facts of the case.

With that said, there exists a potential middle ground that is termed a “dependent contractor” in some jurisdictions. The defining feature of a dependent contractor arrangement is that the contractor has an exclusive working arrangement with a given employer (i.e., the employer is not one of many clients). In a few jurisdictions (Quebec and the Yukon) dependent contractors are defined explicitly as employees under the relevant act (Johal et al., 2019). Some commentators have called for the creation of a separate “dependent contractor” designation that is subject to some but not all employment standards (Harris & Krueger, 2015). The BCLI argues that a new category is not needed, but that there should be a clearer definition and more effective enforcement of who is an employee.

The B.C. government has not taken any steps toward constructing such a category or revising the employee definition. In our view, that implies uncertainty for workers and employers. It also means that workers in non-traditional work arrangements may not receive the benefits and protections inherent in ESA standards while this uncertainty remains unaddressed. This, potentially, is an example of an unfair advantage given to employers using these alternative work arrangements. It would be preferable for the government to act proactively in defining these workers as clearly being covered by the ESA provisions—potentially by clearly defining them as employees.

### *Co-ordination of the Definition of an Employee*

Further to the discussion above about the ESA employee definition, workers are affected by a variety of other provincial and federal policies including worker’s compensation, federal disability benefits, and tax provisions through CRA, that also depend on whether the person is deemed to be an. As the expert panel on federal labour standards pointed out, the definition of an employee or worker varies across the

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<sup>77</sup> Note that in the November 2020 U.S. election, California Proposition 22 passed, overturning the ABC test.

different policies, raising possibilities of workers falling through policy cracks (Johal et al., 2019).

In the B.C. context, the ESA defines an employee as someone “receiving or entitled to wages for work performed for another” or “a person an employer allows, directly or indirectly, to perform work normally performed by an employee” along with other elements related to being a trainee, and so on, and is subject to the interpretation issues discussed above. The *Workers Compensation Act* instead has a definition based on being “under a contract of service or apprenticeship, whether the contract is written or oral, express or implied, and whether by way of manual labour or otherwise.” In both cases, how dependent and independent contractors are treated is not stated explicitly. In contrast, the Worker’s Compensation Act contains a provision giving the Board the power to direct that provisions apply to an “independent operator” as if they are an employee, but the details of how that power could be used is left to regulation. When one then turns to how the CRA defines whether a person is an employee for income tax purposes, there is a different set of criteria that includes issues such as the intent of the contract, who bears financial risk, and so on. At the very least, all of these differences are confusing and could result in workers being unsure about the nature and extent of their coverage under work-related policies.

We believe there should be an examination of all the definitions of employee in B.C. statutes, regulations and administrative policies with an aim to developing a single, provincial definition. That definition should directly address the question of who is an independent (and dependent) contractor, taking— as in the ESA—as broad a stance as is reasonable in defining who is an employee, but with clear, objective criteria. We believe a coordinated definition could be helpful for workers, but it could also allow for a more coordinated approach to supporting workers’ rights and entitlements.

### *Exclusions from ESA coverage*

In addition to the definition of employee, coverage of the Act is also determined by a list of specific occupations that are exempt from the Act, with most being professionals (doctors, lawyers, and accountants, among others). These workers are presumably deemed to have their work conditions concerns represented by their professional organizations and, for the most part, have contractor-type work arrangements.

The BCLI (2018) calls existing exclusions under the ESA “bewildering in their number and complexity,” stating:

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no readily discernible principle explains why some occupations and job situations are excluded from the Act entirely (e.g., some professions, sitters, students employed by their schools, registered investment dealers), others from specific parts of the Act (e.g., managers, resident caretakers), others from parts of the Act except certain provisions (e.g., fishers, farm workers, election workers), others from specific sections (e.g., taxi drivers, livestock brand inspectors, loggers). (p. 44)

There are, as well, partial exclusions in which some occupations are not subject to a subset of employment standards such as minimum wage provisions and overtime provisions. The BCLI notes that the “partial exclusions of farm workers and fishers are notable for their breadth.” The partial exclusions for farm workers are troubling in this regard since many are low-wage and racialized. The BCLI recommends a thorough review of exclusions under the ESA with a view to establishing clear principles for exclusions.

### *Onus of proof*

The ESA does not specify who bears the burden of proof in determination of whether workers are employees or contractors. Rather, the ESB undertakes investigations based on complaints filed by workers. This fits with a general concern that the system in place prior to the most recent changes to the ESA was complaint-based rather than proactive. Recent changes have shifted that toward a more proactive system, including providing more resources for the ESB. One benefit to such a move would be relieving workers from the burden of filing complaints in order to be classified as employees when they are mis-classified. Further improvements to give the ESB more ability to act without a complaint are possible.

### *Fissured work*

Fissured work refers to work arrangements where workers are direct employees of one employer (such as a temporary help agency) but do their actual work at another employer. Johal et al. (2019, p. 77) state that, “fissuring often materializes in subcontracting chains and tripartite employment relationships, where the characteristics of an employer may be shared between two separate employer entities.”

Concerns associated with these work arrangements have been highlighted in recent times by the working conditions of caregivers at long term care homes. The caregivers are often hired out by intermediary employers that move them around across sites, paying low wages and potentially not attending to workers’ rights including the right not



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to work while sick. Evidence from the economics literature shows that when employment arrangements are moved out of the employer where the work is being done and into intermediate employers, wages and working conditions decline. There is some evidence that fissured work arrangements are created in order to shield the employer where the work is ultimately done from responsibility for meeting costly labour regulations and tax-like levies. That is, these work arrangements have the potential to allow avoidance of labour regulations even though the affected workers are officially covered under the ESA (Johal et al., 2019). This is particularly a concern since some of the intermediary employers seem to have a temporary, “fly by night” nature (Ivanova, 2019).

It is important to emphasize that the affected workers are clearly employees and their employer is covered by the ESA, so this situation differs from those related to the definition of employee and exemptions from coverage. Rather, the concerns are about whether these employees have adequate access to the means to address violations of their rights under the act. The lack of such access directly affects their working conditions, feeling of control over a substantial part of their lives, and, so, their self-respect.

Green (2020d) presents evidence on fissuring in B.C. While available measures are, for the most part, indirect, they appear to indicate that substantial fissuring occurred in the late 1990s and has been proceeding at a slower pace since the mid-2000s. This fits with a broad pattern seen also in indicators such as the proportion of workers who are own-account self-employed—there were moves in the direction of precarity in the 1990s but these trends have either stalled or reversed in recent years. Thus, the problem we face is a relatively high level of precarity (including fissured work, where in all likelihood jobs do not include various fringe benefits) but not an increasing trend toward more precarity. This suggests that problem is not a reflection of an intractable growth in gig work due to technological change but, rather, a longer-standing issue that might be addressed through policy changes.

The legislative changes to require licensing of temporary work agencies is a good step in the direction of addressing fissured work but we believe more is needed. In Part 6, we present a set of recommendations aimed at addressing fissured work.

### *Enforcement*

Labour regulation is obviously only as good as the enforcement behind it. The changes to the ESA listed earlier—the removal of the self-help kit and the requirement for the ESB to investigate cases—are substantial steps toward effective enforcement. It would

be good to move further in this direction. In particular, stratified random checking (in which random checks of workplaces are carried out at higher rates in sectors with histories of non-compliance) would provide more complete regulatory protection for workers and ensure a level playing field for employers that are complying with regulations.

### **Potential improvements in employment standards**

While the regulatory requirements that make up employment standards appear to be generally well balanced, there are remaining concerns to be addressed. Precarious employment—including part-time, part-year, and other temporary workers—raises the question of whether these types of work should be addressed directly in the ESA.

At the moment, workers in these arrangements get the same protections as other workers, and those might be enough. But there are potential reasons for concern. For example, there is a pay gap between part-time and full-time workers. Working with Labour Force Survey data for 2016 through 2019 and controlling for education, age, gender, and industry, part-time workers have hourly wages that are 13% less than full-time workers. This could be justified if part-time workers are, in effect, less productive than full time workers (including taking account of fixed costs of employment). The controls in the analysis for education, age and industry make this less likely (though not impossible). Instead, lower wages may reflect lower bargaining power and just as the province effectively goes to the bargaining table for low-wage workers in general through establishing a minimum wage, it might consider taking action in this area as well.

A second issue is control over hours setting. Short notice on hours changes, requirements to perform over-time work, and a general lack of input on working hours have substantial impacts on worker feelings of dignity and control over their lives as well as posing substantial difficulties in terms of acquiring daycare coverage. These issues need to be balanced against the need for employers to have the flexibility to meet sudden changes in demand. The balance might be found, for example, in requiring employers to provide notice of hour changes a reasonable (though not overly long) time before the changes (e.g., 24 hours). We believe there is a need for a discussion on these and related points (such as on questions of minimum shift lengths and the right of workers to refuse over-time requests).

The ultimate goal is to use regulation to frame the work arrangement in such a way that employers choose a “good job” model (with some worker control over their working conditions, decent pay, and a stable relationship between workers and employers) over

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a “bad job” model (one with little or no worker control over their working conditions, low pay, and high turnover). The BCLI report provided an overall evaluation of the ESA and labour regulation in B.C., but we believe further evaluation would be useful, working from the viewpoint of this goal.

### **Issues falling under the *Labour Relations Code***

The *Labour Relations Code* establishes the relationships between labour and management—how workers join unions, how employers and unions interact, and how collective bargaining disputes are resolved. It was also amended in important ways in 2019. In particular, the amendments included provisions to encourage union certification, including providing the Labour Relations Board broader discretion to impose certification when the employer is found to have unduly interfered with the certification process, and shortening the time between an application for union certification and an employee vote from 10 to 5 days. The changes also affected successorship rights and established the framework for industry advisory councils.

The following addresses two area of labour regulation that fall under the *Labour Relations Code*: continuity of work and industrial advisory councils.

#### *Continuity of work*

A key point emphasized by the federal expert panel on employment standards (Johal et al., 2019) was maintaining continuity of work. In particular, employees covered by federal regulations were not protected from having their job tenure clock re-started when contracts were rolled over even if they continued to do same work.

The amendments to the *Labour Relations Code* in 2019 strengthened successorship rights in a set of specified sectors, including in situations of contract re-tendering. The list of covered sectors can be expanded by regulation but, much like the exemptions under the ESA, there do not appear to be any clear principles underlying the choice of which sectors are to be covered. It seems possible, in fact, that the opposite approach could be pursued: one in which all sectors are automatically covered and with stated principles to determine which sectors can be excluded.

#### *Industry advisory councils*

A key element in the report of the Labour Relations Code Review Panel (Fleming et al., 2018) was a search for changes that would move labour relations in B.C. to a more co-operative stance. We believe that this is a particularly important policy direction, fitting with our overall goal of a more just society founded in principles of reciprocity. The

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panel's recommendations for structures to enhance mediation availability and effectiveness seem reasonable to us. Most striking was the recommendation to form industry advisory councils. We believe that such councils should be set up on an ongoing basis with the goals set out in the panel's report (Fleming et al., 2018):

- (a) recommend measures to achieve more efficient collective bargaining and procedures for settling disputes,
- (b) identify industry or sector issues, skills and training needs, health and safety related issues, competitive and productivity challenges,
- (c) develop labour market information and marketing initiatives, and
- (d) make any recommendations necessary to advance the industry or sector.

Establishing councils with both employer and employee representation could be an important first step toward an environment in which workers feel that they are partners in enhancing the viability of industry. We view this as likely to be of practical usefulness in spurring increased productivity but also to be a real step in enhancing workers' sense of dignity and participation in a key part of their lives.

The 2019 Amendments to the Labour Code (Bill 30) included the provision:

On application by an employer, a trade union or the board, or on the minister's own motion, the minister may direct the board to assist the parties to establish an industry council.

The description of the goals of such councils are exactly the same as in the Panel's recommendations. Now that there is a provision enabling the establishment of such councils, we believe the government should take a proactive role in creating and providing them with resources to meet the stated goals.

### 5.9 Earnings supplements

Earnings supplements are effectively wage subsidies that increase the financial incentive to work, whether to entering or returning to the workforce or increasing hours of work and earnings. The federal Canada Workers Benefit (CWB) program is national earning supplement that applies in B.C. The program allows individual provinces to reconfigure the CWB parameters, though any such changes must be cost neutral.

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Provinces can also create their own earnings supplement program, which they can administer directly or delegate to the CRA for operation alongside the CWB.

The key policy question is whether B.C. should reconfigure the CWB in B.C. and/or create a provincially funded earnings supplement. In answering that question, we must assess whether changes can be done in a way that is both effective and affordable, as well as meeting our other characteristics for making the province a more just society, given the rest of the income and social support system.

### Summary of program features<sup>78</sup>

The CWB is a benefit that can be described using the approach set out in Part 3, Section 5 (Income Testing and Effective Tax Rates) but it has some unusual features. Unlike most benefits, CWB does not provide benefits until an eligible person's earnings are above an annual threshold of \$3,000. The benefit increases as income rises above the threshold at a rate of 26% (i.e., a BRR of -26% denoting benefit increases rather than reductions) until the maximum benefit is reached; then over a range of earnings the benefit plateaus without changing as income increases (a BRR of 0%); beyond the plateau range the benefit is phased out at a 12% BRR based on family income (not earnings alone).

*Figure 4-15: Benefit patterns for Income Assistance and Canada Workers Benefit*

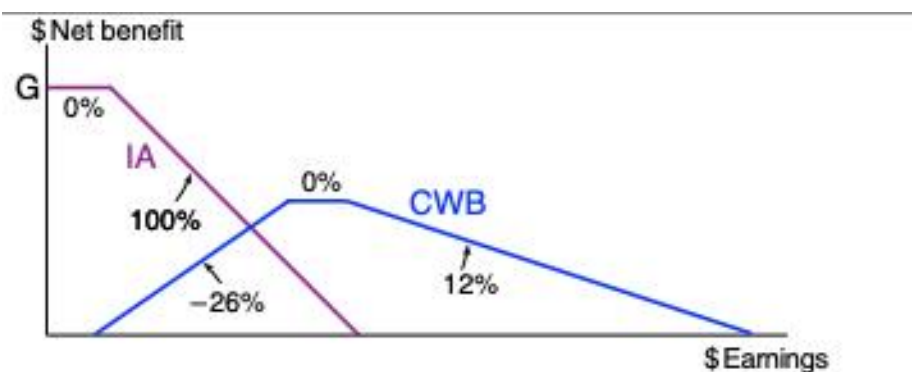


Figure 4.15 displays this pattern of benefits and the associated BRRs over the respective ranges. In 2020 the maximum annual benefit per beneficiary unit (i.e., family) is \$1,355 for single childless claimants and \$2,335 for couples and single parents; for

<sup>78</sup> For details of the structure and operation of the CWB, its Canadian predecessor program (the Working Income Tax Benefit), the provincial earnings supplement programs, and the U.S. Earned Income Tax Credit, as well as a review of the extensive body of empirical studies on these programs' economic and other impacts, see Petit and Kesselman (2020a).

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the latter two groups, the benefit is unaffected by the number of children. The figure also depicts the benefit pattern for IA in British Columbia, with an exempt level of initial earnings (a 0% BRR) followed by a 100% BRR on incremental earnings.

A provincial reconfiguration agreement for CWB can alter the benefit pattern provided it is cost-neutral for that province and satisfies other federal criteria. To date, B.C. has not pursued a reconfiguration agreement for the CWB, although it did have such a variation under the predecessor federal program. The cost-neutrality requirement and the relatively small amount of CWB funds going to B.C. workers limit the potential of reconfiguration to have a meaningful poverty impact.

A study of claimants under the federal predecessor program to the CWB over 2009–2012 (Canada, 2016) showed that a majority of all claimants were childless single workers, with a high share under age 30 because most couples and many single parents had income greater than the breakeven point. Most claimants were in the benefit phase-out income range of income, with a positive BRR, which reduces the incentive to work due to the program. Only 10% of claimants were also receiving provincial social assistance benefits. It is expected that similar results would be found for the current CWB program.

Three provinces— Alberta, Quebec, and Saskatchewan—have instituted their provincially funded own earnings supplement programs running parallel to the CWB. The program designs vary considerably: childless single persons are ineligible in two provinces; breakeven points for two provinces are equivalent to full-time minimum wage employment, well above the CWB break-even level; for families the maximum benefits vary with number of children; and the Alberta and Quebec programs are refundable tax credits while Saskatchewan utilizes mandatory quarterly income reporting that achieves faster response to earnings changes.

### *Application process*

The CWB is administered by the CRA as a refundable tax credit with automatic eligibility assessment done for all tax filers so that they do not even need to know about the provision. Like other refundable tax credits, the CWB cannot reach those who do not file a tax return, which is most common among the most vulnerable low-income persons. Many of those eligible for CWB are not required to file a tax return because they owe no tax, and some of those don't bother filing even though it is to their advantage. Others don't file even though they have an obligation to do so for a variety of reasons, including outstanding tax disputes, lack of trust and lack of personal capacity. The Alberta and Quebec programs also require tax filing as refundable tax credits; the Saskatchewan

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program requires application by prospective beneficiaries as well as quarterly reporting of incomes.

### **Applying the analytical framework**

#### *Adequacy*

Unlike most cash transfers, earnings supplements do not provide an income floor unconditional on working and earning. Rather they augment low-income market earnings and thereby partially close their shortfall from the poverty threshold while increasing incentives to work, in contrast to the work disincentives associated with IA and income-tested basic income schemes. The CWB program's small maximum benefits and its even lower benefit for childless single persons, however, limit its ability to address poverty among the group with the highest incidence of poverty. Similarly, existing provincial programs are biased against childless single persons, entirely excluded in two of the three provinces. Given the much larger child benefits provided in federal and provincial programs, this deficiency is hard to justify in terms of adequacy and suggests differentially favourable benefit levels for childless single persons in any future earnings supplement program reforms or enhancements.

#### *Accessibility*

As the only earnings supplement program operating in B.C., the CWB is highly accessible to all eligible persons who file a tax return. CRA administration of all the B.C. tax credits ensures that all filers with earnings and incomes falling in the covered ranges will be granted the CWB. Like all income transfer benefits delivered via the income tax, the CWB fails to reach persons who do not file a tax return, which is often the most vulnerable persons. The accessibility of a provincial program would depend on its design details.

#### *Responsiveness to individual changes in circumstance*

Like any cash-transfer program implemented as a refundable tax credit, the CWB suffers long lags in its benefits responding to changes in individual earnings. Since it is not intended to cushion reductions in earnings, lack of responsiveness is not as crucial as it is for IA or basic income cash transfers. However, the slow response and lack of clarity to a typical beneficiary about how varying work and earnings affect their benefits likely compromise the positive work incentives earnings supplements are intended to provide. Increased responsiveness would require provincial administration separate from the tax system, as Saskatchewan has done.



### *Personal efficacy and opportunity*

Earnings supplements promote opportunity for individuals to advance by increasing their earnings and self-sufficiency as well as encouraging work experience and labour-force attachment. That can increase skill and earnings potential and augment self- and social respect, which are key characteristics in our social justice framework. These effects are the opposite of the work disincentives that can accompany income-tested benefits. Evidence from the much larger US earnings supplement suggest that a sufficiently generous program can significantly increase labour force participation and reduce poverty.

### *Public trust*

As noted above, earnings supplement programs enjoy a high degree of public support across the political spectrum. The CWB's predecessor program was first proposed by a Conservative government, but the actual legislation was passed by the succeeding Liberal government. Public trust is enhanced by the linkage of benefits to work effort and earnings, thus providing a visible association between benefit payments and recipients' efforts to be self-sufficient and their contributions to the economy. Facilitating the move of beneficiaries from Temporary Assistance back to the workforce also increases public support for the earnings supplement and other employment-type programs. The counterpart earnings supplement program in the United States has been in existence for 50 years and enjoyed bipartisan support leading to periodic enhancements (at times paralleling cutbacks to unconditional cash-transfer programs). The original U.S. earnings supplement program was implemented as a counter to the Nixon administration's proposed Family Assistance Plan, a negative income tax scheme. Experience with programs of the earnings supplement format in Canada also reveals broad cross-party support (Gillezeau & Speer, 2016).

## **Conclusion**

Earnings supplements offer an attractive means for making cash transfers to low-income earners. However, the existing CWB provides only limited assistance in reducing the poverty of B.C. workers, particularly the demographic of single childless adults who bear the highest rates of poverty. The option for the province to reconfigure the CWB's benefit structure offers little potential for mitigating overall poverty, since it would simply shift a fixed total amount of benefits for B.C. workers between gainers and losers. Nevertheless, the CWB could be an attractive platform for B.C. to build on to expand earnings supplement benefits using provincial funds. It offers automatic enrolment of eligible tax filers by the CRA with associated high take-up and low



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administration and compliance costs, since most low-income earners are likely to be tax filers. Alberta's earnings supplement program already uses that approach, but its benefits are restricted to families with children, whereas the main income deficiency in B.C. is childless singles.

Simulations of numerous alternative ways to alter and/or augment the CWB were undertaken to explore the potential for B.C. (Petit & Kesselman, 2020b). First a cost-free reconfiguration of the CWB that emphasized the group with most acute poverty, single childless adults, was explored. The earnings threshold was doubled from \$3,000 to \$6,000, the latter figure aligning with the annual rate for the \$500 monthly earnings exemption for TA beneficiaries beginning in 2021. In one variant the CWB maximum benefit for single adults was increased closer to that of the other family types. The numbers below the poverty threshold declined by 2% for single childless adults but increased by 6% for family types with children. This illustrates the limitations of CWB reconfiguration with a fixed cost.

The next simulation exercise considered the addition of a B.C. "participation bonus" to the CWB for childless singles and couples. The participation bonus was varied between 25% and 100% of the default CWB amounts, with associated costs for the province ranging between \$84 million and \$450 million. The total benefit phase-in rates were increased by the rate of the participation bonus, but the phase-out rates were held constant at the CWB's 12% rate; thus, the total federal plus B.C. benefit break-even incomes were increased beyond poverty thresholds. Reductions in the number of single childless adults in poverty ranged from about 1% for the cheapest variant to nearly 5% for the costliest.

The final exercise examined a CWB reconfiguration plus a provincial "top-up" to the CWB focused on childless singles and couples with earnings not too far below poverty thresholds. Maximum benefits targeted childless workers with annual earnings ranging between \$16,000 and \$20,000. The best combination in terms of poverty reduction relative to the province's top-up cost emerged as the one with an \$18,000 earnings target. With a B.C. cost of about \$400 million, this combination reduced the estimated number of low-income single adults by about 18,000 or 9 percent, and it brought an even larger percentage reduction in the smaller cohort of low-income childless couples. In addition, the earnings supplement lowered the depth of poverty for many more recipients whose incomes were lifted but not above the poverty threshold.

We conclude from these preliminary exercises that the B.C. government should explore the development of a provincial earnings supplement program. Other methods of

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targeting this group, low-earning workers not receiving IA benefits, are very limited except for broad-brush extremely costly unconditional cash-transfer programs. Earnings supplementation also has the advantages of public support, reciprocity, self-respect, and conformity with social norms regarding work and self-sufficiency for those who are able. The variant of a provincial top-up to the CWB, structured as a refundable tax credit and administered by the CRA, appears to be the most promising approach for B.C. to pursue.

## 6. Conclusion

In Part 4, we have shown that the B.C. income and social support “system” has considerable reach but is far from a cohesive system. It is a fairly comprehensive set of supports made up of a combination of cash transfers and basic services that together address most of the concerns facing people with limited resources, although there are adequacy and accessibility concerns. As a result, we are able to conclude that the current system is a strong foundation on which to build an increasingly effective system. It would be a serious mistake to consider eliminating the current system or major elements of it to take a fundamentally different approach in the immediate future.

However, by comparing the system and its programs at every level to our analytical framework, we have found areas that could improve the system’s contribution to making B.C. a more just society. One look at the various sunburst diagrams presented earlier confirms the complexity of the system. With so many programs, so many policy objectives, so many delivery organizations, and so many approaches to providing cash transfers and basic services, all of which evolved over time in response to different pressures, it is not surprising that this group of programs lacks many of the properties that we expect of a “system.”

One area that we have concluded could significantly improve the system would be to add features that create a more systemic approach. We do not advocate creating one huge program or even one access portal as a way to make this set of programs more system-like, because that could easily reduce access and effectively eliminate needed targeted programs, especially basic services. Rather, the system properties that we believe need to be improved relate to increasing consistency across programs in terms of eligibility conditions and income-testing or benefit calculation.

The income tax system provides widely used benefit delivery infrastructure, not just for tax credits but also for many other cash-transfer and basic service programs. The effectiveness of the tax system as a benefit platform could be significantly improved by reducing barriers to access for the vulnerable and increasing the responsiveness of the tax system to changes in income. Both of these would entail significant federal reforms that would be, to say the least, challenging to design and time consuming to implement. Nonetheless, we believe it is worthwhile for the province to add its voice to calls for tax system reforms.

At the system level, we have also found some gaps that need to be filled, in terms of how well the system targets specific groups whose needs are currently underserved. A theme related to those gaps is that both monetary resources and basic services are

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essential to address needs of the groups. That includes youth transitioning to adulthood, especially former youth in care, women fleeing violence, those with disabilities, single adults, and others.

At the program level, we have found a mix of results. Some program areas, especially basic service programs such as PharmaCare and child care programs, provide services that are quite consistent with our framework but need to be improved by system-level, cross-cutting reforms. Other programs require more significant reform to address adequacy and accessibility issues in particular, so that they benefit more of the people who need the support in a simpler, more respectful way, with lower barriers to access. As we will see in Parts 5 and 6, that means applying basic income principles.

In particular, Income Assistance provides an opportunity for significant improvement in terms of both its Temporary Assistance and Disability Assistance components by continuing on the path established by recent reforms, implemented since 2017. Income Assistance has the key advantage of being quickly responsive to changes in individual circumstances, but it also has shortcomings. Not only do concerns about adequacy and accessibility need to be further addressed, but the negative economic implications of the high barriers to exiting the program, the welfare wall, need to be reduced by building on the eligibility improvements made to date. We believe that requires not only changes to the cash-transfer aspect of the program but also the addition of some basic services that would better support people in transition to achieve true autonomy. The provision of important basic services such as extended health benefits needs to be extended across the low-income population, independent of their IA status. It is also important to target some specific groups, such as former children in care and youth who have faced childhood poverty as they transition to adulthood, building on recent improvements there as well.

We therefore conclude that a variety of well-designed basic services together with improved cash-transfer programs are needed to create a system that is effective in achieving our stated goal of making B.C. a more just society. We also believe that improving the effectiveness of labour regulation is another important element that should be considered this policy arena.

This analysis of the existing system provides us with an important foundation for the rest of the report. It contributes to our analysis of basic income, which is often discussed in comparison with Income Assistance. Our analysis would be less than complete if it were not set within the context of the current system and the full range of basic services and cash transfers it provides. It also is essential background for the development of

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recommendations about improving the system. These are the topics addressed by the final two parts of our report.

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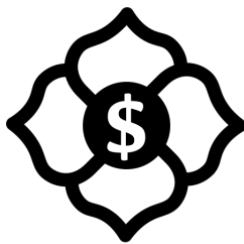
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## 1. Introduction

With the benefit of the discussion and analysis presented in the first four parts of this report, we are now in a position to consider in detail the question at the heart of our review: whether B.C. should consider implementing a basic income at this time. That is a more complex question than it may at first appear to be, because a basic income itself is not as straightforward as many have suggested. In addition, we are not starting with a blank page, but rather with an already extensive set of cash-transfer and basic service programs, as detailed in Part 4. It is not sufficient to simply explore how a basic income could be designed and implemented, and what its implications would be. In order to complete the tasks we have been assigned, we must ask these questions in the context of the current situation, and we must compare the implications of a basic income with alternative approaches.

### 1.1 Defining basic income

We start Part 5 by introducing the basic income concept. While there is much discussion about a basic income, it is not always clear exactly what is being referred to, and in fact the term often seems to have different meanings for different users.

The term “basic income” has become handy shorthand for an idea that has been around for over 200 years: society might be better off if everyone could count on receiving at least a minimum amount of cash on a regular basis. A lot of terms have been associated with this idea, such as minimum annual income, guaranteed income, state bonus, citizen’s income, negative income tax, basic income guarantee, guaranteed basic income, refundable tax credit, universal basic income, and many others. For some, “basic income” denotes a very specific type of universal, unconditional program design, but in popular usage it is most often an umbrella term for a wider range of proposed cash-transfer programs.

In this report, we use “basic income” in this broad sense. We define it as follows: “Basic income” means a policy that guarantees all members of a society a minimum amount of income in a period.

A basic income is attractive because of its apparent simplicity of concept. As we will show, though, underneath this simple idea lies a tangled web of principle, policy, and practice implications that is difficult to unravel. Having defined a basic income in very general terms, we will make the idea a little more concrete by outlining a few fundamental types of basic income, before getting into the details.

## 1.2 Types of basic income

If you have only heard of one type of basic income, it is probably a universal basic income (UBI). The key feature of the UBI is that it is universal: in principle, everyone gets the cash transfer in every period. We discuss some of the practical exceptions to universality that are sometimes included in UBI proposals to address practical issues but, those aside, this is the simplest type of UBI. A UBI imposes no conditions and no eligibility requirements except being a resident, and, as a result, everyone is guaranteed a minimum amount of income.

UBI is an example of what we refer to in the report as a “generally applicable basic income.” That is a basic income covering the entire population. This is the type of basic income that most people mean when they call for a basic income to reduce poverty or to respond to the pandemic.

The alternative to a generally available basic income is a “targeted basic income.” By that we mean a basic income that is conditional on the recipient being a member of a defined group. In fact, targeted basic income programs are already in place in Canada and B.C., such as Old Age Security/Guaranteed Income Supplement, and federal and provincial refundable tax credits.

Two other basic income design types are also commonly discussed, both of which are basic incomes that are conditional on income: the refundable tax credit (RTC) and the negative income tax (NIT). These two approaches have some similar elements and some differences.

Both can be used for either generally applicable or targeted basic incomes. Both provide benefit payments in amounts that depend on the recipient’s income. In general terms, both use the type of approach outlined in Part 3, Section 5 (Income Testing and Effective Tax Rate Implications). Income testing targets those most in need for the cash transfers, reducing the cost of the program as compared to a UBI or a targeted basic income that is not income-tested; many basic income proposals are therefore income-tested.

The difference between the RTC and the NIT lies in their responsiveness to changes in recipients’ income. RTCs, as their name suggests, directly use the income tax system to deliver the benefits and use the data collected by that system to apply income testing to determine the payment amount. NITs, despite their name, are less reliant on the existing income tax system. Rather, NITs are characterized by collecting income data on an ongoing basis, in real time or monthly or for some other convenient period, and

basing the payment amount on this up-to-date reporting, thus responding rapidly to changes in income. The implications associated with these alternative designs, as well as all of the other design parameters that need to be taken into account, are discussed later. However, even this brief introduction suggests some of the complications inherent in practical basic income designs that may make them less simple than they seem at first glance.

### 1.3 Examining basic income and basic income claims

Many of those advocating a basic income believe that it is a policy panacea that can help address many of the issues facing society. Those claims include:

- reducing stress for many people, which contributes to several of the subsequent claims
- improving adult health outcomes
- improving health and educational outcomes for children
- providing a stable basis for investing in human capital and finding a better job
- raising low-end wages (and thereby reducing wage inequality) by allowing workers to reject bad jobs
- providing a stable basis for pursuing an entrepreneurial idea and thus encouraging innovation
- building community by allowing people to participate in unpaid work beneficial to society, such as caregiving and volunteering
- eliminating or at least reducing poverty and the intergenerational cycle of poverty
- transforming society and the economy in response to disruptions such as artificial intelligence, climate change, and, now, pandemics

The challenge for us is to delve deeply into the principles and practicalities of designing and implementing basic incomes, bringing evidence to bear in assessing claims about what effects a basic income would have, and comparing that with alternative approaches to address the same issues. To do so, we:

- examine the philosophy and principles underlying basic income proposals in the context of the panel's analytical framework, described in Part 2

## Part 5: Basic Income

- build on that review of the conceptual underpinning of basic income, to consider the nuts and bolts of designing a basic income and all the choices that would entail
- present evidence, existing and newly developed as part of the panel's research program, which casts light on the claims made about what basic income can and will do
- estimate the costs, distribution of benefits, and impacts on poverty in B.C. of various basic income designs through a series of simulations of various basic income designs
- address the question of how a basic income implemented in B.C. could be funded, including how the tax system would interact with a basic income and the implied impacts on incentives of both beneficiaries and taxpayers (Note: A key point in the discussion of feasibility is whether enough savings can be achieved from eliminating other programs in the current B.C. policy universe and, if not, how the fiscal gap could be filled.)

## 2. Basic income philosophy and principles

### 2.1 Basic income philosophy

As we define it, basic income involves cash transfers to some or all people. But how can we distinguish between basic income cash-transfer programs and other programs that also distribute money to individuals? As we demonstrated in Part 4, the B.C. income and social support system comprises a set of both federal and provincial programs, and both cash-transfer and basic service programs. The distinction between a cash transfer and a basic service is clear, with the latter focused on directly providing services (e.g., medicare—the Medical Services Plan in B.C.) or providing in-kind benefits, such as reimbursement of specific costs. Within the cash-transfer domain, the question remains as to how to draw the line between basic income as a category and other cash transfers, particularly Income Assistance, the major cash-transfer element in the current system.

We suggest that whether a program is truly a basic income depends on its purpose. There is an extensive literature around basic income, including many proposed basic income designs and evaluations of basic income pilots. Our reading of the literature is that to be a basic income, a program must not only be intended to make society better off, in some sense, by creating a minimum guaranteed income through an ongoing cash transfer; it also must align with certain objectives, values, and principles, which we collectively refer to as the basic income philosophy.

The foundational principles of the basic income concept have been inferred by Tedds et al. (2020) based on an in-depth review of program designs and proposals. We believe their four identified principles are the defining characteristics of a basic income:

- simplicity
- respect
- economic security
- social inclusion

Two aspects of these four principles are important to us.

The first is to understand these principles in the basic income context, because it is possible to design a cash-transfer program that might look like a basic income at one level but that includes design choices that violate one or more of the principles. (Later



we examine a number of design choices inherent in fully specifying a basic income proposal and consider how some choices can take the proposal out from under the basic income umbrella.)

The second aspect is how these principles align with our analytical framework, which allows us to compare basic income models with other programs. All four principles contribute to autonomy, a key part of our framework. Autonomy requires people to have adequate resources and the freedom of choice to make decisions about how to use those resources. But our framework goes well beyond autonomy.

### **Simplicity**

Simplicity refers primarily to ease of access and usability by beneficiaries of the program, considerations that are important both as a basic income principle and as a characteristic of our framework. Simplicity is perhaps what makes the basic income concept most attractive, standing in stark contrast to the complexity that is so evident in the current system. Simplicity is more than just an observed characteristic of basic incomes. The literature emphasizes simplicity as a required feature of the basic income concept. It is not enough to call a proposed program a basic income and claim that it is therefore simple. If the features of the program introduce a lot of complexity, then it should not be considered a basic income. Exactly where to draw that line, though, is a difficult question.

Simplicity is partly associated with eligibility. The more onerous and intrusive eligibility requirements are, the more difficult it is for an applicant to know if they are eligible, and the more information they need to provide to show that they meet the requirements. Alternatively, the fewer conditions associated with a program, the simpler it is to determine eligibility, by both applicants and administrators. Unconditional programs or programs that use already available information to assess eligibility can often be automatic, requiring no action from the recipient and thus achieving the ultimate level of eligibility simplicity. Part 4, Section 5.1 (Income Assistance) describes the Income Assistance program's eligibility criteria, which are relatively complex. Traditional social assistance programs like Income Assistance are often compared with universal basic income programs under which eligibility criteria are minimal (e.g., residency requirement only), although not all basic incomes are that simple, as we will show.

Must a basic income be universal to meet the test of simplicity? No. A cash-transfer program that focuses on a specific target group and is therefore conditional on meeting an eligibility test can also be consistent with the basic income principle of simplicity.

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However, eligibility criteria can easily introduce significant complexity, so consistency with the principle depends on the design details.

Simplicity also means being easily understood, and another aspect of how a program works that can introduce complexity is the benefit structure. As we described in Part 3, income testing can be designed for different purposes. Again, UBIs have simple benefit structures: usually the same cash transfer is paid to all eligible recipients. However, many basic income proposals include income testing and, depending on how it is applied and administered, that can be another source of complexity.

### **Respect**

In this context, respect is the opposite of stigma. The basic income philosophy places a high value on avoiding program features that treat beneficiaries with a lack of respect and that are demeaning to beneficiaries or induce feelings of shame for finding themselves in need. Systematic lack of respect is itself a barrier to access and is detrimental to those in need, whether they access the program or not. Like simplicity, respect is also both a basic income principle and an important characteristic in our framework.

Similar to simplicity, eligibility considerations are an important part of determining whether a proposal is consistent with the principle of respect. Strict eligibility requirements, several steps in the eligibility adjudication process, subjective criteria that are applied by program administrators, and ongoing requirements that can result in penalties or loss of benefits can all contribute to stigma. On the other hand, programs such as benefits delivered through the tax system avoid stigma by automatically providing benefits based on information routinely collected for other purposes. In part, stigma can arise from having to declare that one is in need in order to qualify. Part 4 shows that some current programs, such as Income Assistance (IA), do poorly in relation to respect, while other programs do better. The same would apply to basic income proposals, depending on specific design and operational details.

### **Economic security**

As a basic income principle, economic security refers to providing people with the sense that, no matter what, they will be able to get by, enhancing their freedom of choice. The idea is that with economic security, people have the autonomy to make their own decisions, a luxury not afforded to those with inadequate resources. Economic security is measured, in part, by the rate and depth of poverty. This principle is closely related to

the question of how adequate benefits are (our adequacy characteristic) within our framework.

Economic security includes the idea of financial stability and continuity, not only responding to current circumstances but doing so in a way that contributes to future and ongoing financial security and stability. While that suggests ongoing support, it also suggests encouragement of self-sufficiency through paid work, although that is more commonly a feature of traditional income and social support programs than of basic income proposals. Economic security also includes protection from adverse events. A minimum income guarantee provides a level of protection against some such events, like job loss. But other circumstances, for example the need for expensive medical equipment, may be more amenable to basic service approaches.

As discussed in Part 4, Section 5.1 (Income Assistance), the IA program as currently designed has room for improvement in terms of adequacy and other characteristics associated with the basic income principle of economic security. However, not all programs that fall under the basic income umbrella necessarily rate highly in terms of economic security either. It all depends on the design details of a specific program and, to some extent, the nature of the system within which the basic income would operate. For example, a basic income provided as a refundable tax credit has slow responsiveness to sudden income losses and thus may fall short on its adequacy to meet immediate needs.

### **Social inclusion**

Social inclusion means improving people's ability to participate in society. Lacking the resources to cover basic needs is a fundamental barrier to social inclusion, as are limited freedom of choice, dignity, and self-respect. As with the other three principles, social inclusion is closely aligned with our goal of creating a more just society. Paid work is perhaps the most important social inclusion activity. Participating by working is highly valued by society and beneficial to workers in terms of both economic security and social inclusion.

In addition, there are unpaid activities that benefit society, such as emotional labour, child care, elder care, domestic work, and volunteering, as well as engaging in education, training, and social entrepreneurship. Basic income is often promoted as a way to provide people with the resources to enable them to undertake these other socially inclusive activities, rather than focusing solely on paid work.

While some people may use basic income payments to support non-work social inclusion, it is not clear how effective a basic income would be unless it included features that specifically address this principle. Some proposals for a basic income, called a “participation income,” have explicit requirements for a beneficiary to be engaged in any of a specified set of activities. Similar considerations apply to alternative cash-transfer and basic service programs that are or could be included in the income and social support system.

### Conclusion

In conclusion, all four of the basic income principles align with aspects of autonomy, although our autonomy construct is less about unconstrained personal freedom than the basic income principles seem to be to many advocates. A guaranteed minimum income directly addresses the issue of raising people above destitution to enable them to act with autonomy. How effective a specific basic income design is in providing adequate resources depends on the design details. In principle, however, basic income is a tool that directly addresses most aspects of poverty reduction: the rate and depth of poverty and reducing income disparity among groups. The basic income principles of simplicity and respect are both features of accessible support that has low barriers to take-up by those in need. A complex system, in contrast, means those in need face barriers associated with difficulty navigating the system as well as stigmatizing elements. These factors then lead to discouraging people from gaining access. Economic security also supports autonomy, enabling people to make choices about the future with the protection afforded by economic security. Social inclusion is then a consequence of that autonomy, in the sense that providing people with more autonomy through a basic income will induce some to choose prosocial activities.

But these principles are not necessarily satisfied by simply providing a minimum income guarantee. The real-world requirement to make trade-offs in designing public policy discussed in the following section can quickly lead to design choices where simplicity, respect, and economic stability must be sacrificed to, for example, budget constraints or unacceptable economic implications. That is why a basic income proposal’s consistency with these four principles ultimately depends on the design details.

### 2.2 Comparing basic income principles with the analytical framework

Having discussed the alignment of the basic income principles with some of the characteristics in our framework, we now turn to examining the characteristics of that are not fundamental basic income principles. Extending the analysis beyond the basic

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income principles and their relationship to autonomy, Table 5-1 shows the extent to which basic income principles align with our analytical framework.

*Table 5-1: Analytical framework characteristics and corresponding basic income principles*

Analytical framework	Basic income principles
<b>Autonomy</b>	
<p><b>Adequate</b> resources are provided, with a focus on poverty reduction, including:</p> <ul style="list-style-type: none"> <li>• reducing the poverty rate</li> <li>• reducing the depth of poverty</li> <li>• preventing poverty</li> <li>• breaking the poverty cycle</li> <li>• reducing disparities across defined groups</li> </ul>	<b>Economic security</b>
<p><b>Accessible</b> programs:</p> <ul style="list-style-type: none"> <li>• are simple and understandable</li> <li>• have low barriers to access, low stigma</li> </ul>	<b>Simplicity Respect</b>
<p><b>Security</b>-enhancing programs:</p> <ul style="list-style-type: none"> <li>• provide stable, reliable support</li> <li>• offer future opportunity</li> </ul>	<b>Economic security</b>
<b>Responsive</b> programs enable people to deal with changes in their circumstances	
<b>Efficacy</b>	
<b>Opportunity</b> -creating programs enable people to exercise autonomy and competence	<b>Economic security</b>

Analytical framework	Basic income principles
<b>Social connection</b>	
<b>Socially inclusive</b> programs act to build community	<b>Social inclusion</b>
<b>Transition support</b>	
<b>Response to transitions</b> through: <ul style="list-style-type: none"> <li>• creating resiliency to personal and societal crises</li> <li>• broad equality of self- and social respect</li> </ul>	<b>Economic security</b>
<b>Public trust</b>	
<b>Policy stability</b> requires consideration of: <ul style="list-style-type: none"> <li>• fiscal implications</li> <li>• efficient administration</li> <li>• economic incentives and impacts</li> </ul>	
<b>Reciprocity</b> requires beneficiaries to take responsibility for playing the fullest and most active role in society and the economy that they can, increasing public support and trust	

The first two characteristics that are not fully addressed by basic income principles are responsiveness to significant changes in personal circumstances and support for transitions. Income security is provided by a basic income paying an ongoing income guarantee, which is something people can incorporate into their planning. But autonomy requires more than just having a stable ongoing level of income; it requires security in the face of unexpected and uncontrollable shocks and life transitions that even stable income cannot always accommodate.

Responsiveness and transition support requires flexible programs that are responsive to changes in a person's circumstances, differences in need among different groups of people, and society-wide changes, such as financial crises, climate change, earthquakes, and pandemics. Basic incomes can be designed to respond to different

circumstances, but their fundamental character and attractiveness as policy tools come from their simplicity—providing everyone with the same guaranteed minimum level of income. Responsiveness and transition support, simplicity, and accessibility are considerations that will often be in conflict, requiring a balance to be struck. Building in more responsiveness is likely to increase complexity and may reduce accessibility. On the other hand, in the context of the total income and social support system, basic service programs together with a basic income could address the need for responsiveness, although that may detract from the strict freedom-of-choice ideal of some basic income advocates.

Our analytical framework includes another area that is not central to basic income principles and is sometimes overlooked by basic income advocates: public trust, made up of policy stability and reciprocity characteristics. The goal of moving toward a more just society requires long-term trust and acceptance of the system meant to achieve it by both those who are or may be beneficiaries and those whose primary role will be to help fund the system. Trust and acceptance turn on the fiscal and economic consequences of the policy: how much will it cost taxpayers, how will it be funded, and how it will affect behaviours and the economy. Basic income principles have little to say about any of these considerations, leaving it up to analysis of specific proposals to ensure that they are addressed. But addressing these characteristics inevitably requires trade-offs to be made.

Perhaps the central behavioural question related to basic income is how it would affect labour supply, the incentive to engage in paid work, and other aspects of work hours and job choices. One of the benefits ascribed to basic income is that it supports many valuable activities, such as caregiving and volunteering, in addition to paid work. People could also choose not to work or otherwise contribute to society. How would that affect the paid labour supply and the level and growth of economic activity? On the other hand, would basic income make it possible for more people to join the labour force and seek work, thereby increasing the labour force? These questions are addressed in Section 3.3 (Types of Basic Income) in terms of the incentive effects inherent in different basic income designs, how those interact with the tax system, and what the evidence tells us about behavioural implications.

The fiscal impact of the basic income is important because there is a limit to how much taxpayers will be willing to pay before they lose trust in the system, leading again to trade-offs. For example, the quintessential basic income design that most closely aligns with the basic income principles is the UBI, but it is also the most costly, as will be seen when simulations are discussed, and the fiscal implications of a UBI that has any

material effect on poverty would create public trust issues. The cost can be reduced through income testing and trading off simplicity, accessibility, and likely responsiveness for affordability and public trust.

Another source of trade-off arises because the higher the guarantee level provided by the basic income, the greater the impact on poverty—but the greater the cost as well. Fiscal impacts are also important because they must eventually be funded and, depending on what the funding sources are, that can cause additional economic and behavioural impacts due to, for example, raising taxes or cutting program spending.

Another issue created by the degree of income testing for a basic income (or any income-transfer program) is a different type of disincentive effect. Since people below the break-even level are being lifted and those above the level are not, there may be a perception of unfairness by those who receive a smaller or no benefit. Among those working but with earnings below the break-even level and receiving net benefits, the compression of net incomes and the reduced returns for working more or harder, on account of the income testing, may also pose issues of acceptability. Beyond the purely economic aspects of these effects, this effect is associated with the public trust characteristic in our analytical framework.

Reciprocity refers to mutual respect between those who are beneficiaries and those who are mainly paying to fund the supports. A key feature of reciprocity is those who are mainly funders feeling that society is benefiting from the activities of recipients, by their playing an active role in society, commensurate with the cost. Income support programs traditionally address that by requiring that those who are able engage in paid work. Basic income is touted as way of eliminating harsh work requirements and encouraging other valuable forms of activity, but most basic income formulations neither specifically address labour market conditions nor specifically promote a choice to participate in valuable but unpaid activities over a choice to work less or not at all.

That is not to suggest that those advocating basic incomes ignore important considerations like responsiveness, incentives, and fiscal cost; it is really a question of the weights placed on different principles. One way of summarizing the discussion in the broader context of our justice-based analytical framework is that the basic income principles are most closely aligned with freedom of choice and autonomy over government intervention. That is, they are focused on solving problems through unconditional cash transfers rather than targeted programs.

Our analysis suggests that by downplaying the collective interest, important considerations related to public trust—cost, economic implications, and reciprocity—are



also being downplayed. This imbalance can be addressed in various ways, such as through basic income design choices that reduce its cost or enhance its responsiveness, or by layering a basic income onto a system that provides basic services and in-kind benefits as well.

All of these possibilities have been suggested by various basic income advocates, who have proposed a wide range of approaches, from a fundamentally libertarian concept of a basic income as the sole income and social support program to many proposals that implicitly or explicitly recognize the necessity of some type of hybrid system. For example, leading basic income proponents Van Parijs and Vanderborght (2017) state the following:

[A] basic income is not meant to replace all services provided or funded by the state. A combination of mild paternalism, awareness of positive and negative externalities, and concern for the preconditions of competent citizenship can easily override the argument for cash in the case of some specific goods such as basic health insurance and education at the preschool, primary, and secondary levels. Such provisions in kind can be defended in terms of the long-term interests of the individuals concerned, and also in terms of society's [sic] interests in maintaining the healthy and well-educated workforce and citizenry that are crucial to well-functioning economies and democracies. ... For all these reasons, making a strong case for a basic income paid in cash is consistent with supporting public provision of various services in kind.

Our point is that an emphasis on basic income principles fundamentally implies a relatively high weighting on individual over collective interests. In contrast, our social justice perspective tilts the balance of policies more toward basic services and in-kind benefits. As explicated in a research paper commissioned for the panel (Kesselman & Mendelson, 2020), this approach derives from widely-held values and concerns, including human rights, social externalities, merit goods, and ensuring everyone the requisites for a dignified life.

### 3. Basic income design

In this section we address in detail the general point that we have made several times previously: basic income is not one thing but a set of proposed programs sharing a common characteristic (i.e., providing cash transfers to ensure a minimum income), and the implications of a program crucially depend on the specific design chosen.

#### 3.1 Design questions and elements

The complexity of potential basic income design choices and their implications is demonstrated in *Considerations for a Basic Income as a COVID-19 Response* (Green, Kesselman & Tedds, 2020), a briefing published by the panel members in their capacity as independent academic researchers. A research paper commissioned by the panel (Tedds et al., 2020) sets out 13 key elements that provide a structure for assessing basic income design. Table 5-2 sets out these 13 elements and the corresponding panel questions from the briefing, indicating where these questions and design elements are discussed in this part of the report, as the basis for the analysis presented in this section. The discussion is about how the design details can affect consistency with basic income principles and reflect the trade-offs among competing characteristics within our analytical framework.

*Table 5-2: Design elements and panel questions*

Report section/subsection	Design elements	Panel's questions
2. Basic income philosophy and principles		What overarching principles define a basic income policy?
3.2 Objectives and claims	Objective	What is the specific objective? <ul style="list-style-type: none"> <li>• poverty reduction</li> <li>• reforming society in response to disruptions, such as artificial intelligence changing the nature of work</li> <li>• distributing economic rents, or</li> <li>• some other objective?</li> </ul>

Report section/subsection	Design elements	Panel's questions
3.3 Types of basic income	Universal versus income-tested	Is the basic income to be a universal basic income, a negative income tax, or a refundable tax credit?
		Will the basic income be responsive to changes in circumstances?
	Widely applicable versus targeted	Is eligibility for, or the amount of, the payment conditional on individual attributes (e.g., age, income, assets) and/or behavioural conditions (e.g., work search)?
3.5 Benefits	Sufficiency (Adequacy)	What is the amount of the guarantee, and are the amounts paid uniform or variable?
	Uniformity	How would the basic income treat those with a disability?
	Interactions with other programs	How does the basic income interact with existing income and social support programs, especially provincial Income Assistance, including Temporary Assistance and Disability Assistance?
	Duration	How often and when would payments be made?
	Frequency	
	Beneficiary unit	Would benefits be: <ul style="list-style-type: none"> <li>• based on individual or joint family incomes</li> <li>• paid to individuals or family/households, or</li> </ul>
	Payment unit	
	Payment scale	

Report section/subsection	Design elements	Panel’s questions
		<ul style="list-style-type: none"><li>• scaled by the number of members in the unit or a per capita amount?</li></ul>
3.6 Administration	Administration	How does the basic income interact with existing income and social support programs, especially provincial income and disability assistance?
		Would recipients require a bank account to receive payments and, if not, how would payments be delivered to the unbanked, the under-banked, and/or those dealing with homelessness?
		How will any changes and what they mean to people be communicated?
4. Simulation results	Funding	What is the cost of the program and what other tax and benefit program changes would be made to finance the program?
5. Funding and interactions with tax rates		How would the tax system treat the payments received? Would there be an associated significant income tax system reform?
		How would the basic income be integrated into Canada’s system of fiscal federalism?

## 3.2 Objectives

To understand whether a policy is successful, it is necessary first to know why it's being implemented. Basic income advocates put forward several reasons for implementing a basic income, some of which align well with our goal of moving toward a more just

society, others not as well. Some of these reasons are objectives in the sense that basic income is suggested as the solution to a specific problem. Others are not so much specific objectives as claims about what impacts a basic income would have.

In some cases, the basic income principles described in Section 2 (Basic Income Philosophy and Principles) are cited as the reason for implementing a basic income—that is, a basic income should be implemented because it would be simpler and more respectful, provide greater economic security, and promote social inclusion better than traditional income and social support programs. In other cases, a basic income is touted as a virtual panacea that can solve multiple issues and problems. Those claims include improving health outcomes; increasing investment in human capital; improving social outcomes for children; encouraging risk-taking, innovation, and entrepreneurial activity; raising wages; and supporting community through volunteering and caregiving.

We recognize that it is difficult to draw a bright line between basic income objectives and claims, but we have nevertheless attempted to do so. In this section, we discuss the main purposeful objectives—as opposed to consequential benefits—of basic income, advanced by different groups of proponents. Section 5 (Claims Made For or About a Basic Income) addresses the claims about those consequential benefits in detail.

### **Poverty reduction**

The most common objective for basic income proposals is to reduce or eliminate poverty. This objective fits with the tendency to express basic income principles in comparison to traditional cash-transfer programs, such as Income Assistance in B.C. Basic income is promoted as a more humanizing and effective way to reduce poverty. Basic income principles are what makes it more humanizing, but its effectiveness in poverty reduction arises from the fundamental feature of a basic income—a guaranteed minimum income for everyone. The idea of a basic income is to make sure all those who need cash transfers to lift them part or all of the way out of poverty receive the benefit by erring on the side of giving it to a larger group. In general, a basic income will be more effective than a more tightly targeted and less accessible transfer program that inevitably excludes some who are in need, but the basic income will also inevitably be more expensive.

This observation reinforces points made in Section 2 about basic income principles aligning with our characteristics associated with autonomy—in particular adequacy, accessibility, and security—but creating trade-offs in terms of public trust, especially the fiscal impact.

In the context of our framework, poverty reduction objectives should recognize that basic needs are not the same for everyone. Dealing with those differences effectively—for example, with differential provisions to address the higher costs faced by those with disabilities—is an important part of reducing poverty and of moving toward a more just society. However, it is difficult to deal with these differences in basic needs through the design of a basic income without violating basic income principles. It is hard to design and implement eligibility criteria for those with additional needs without adding complexity and introducing stigma. Of course, it is possible to have a simple basic income program while addressing needs differences with other programs, but in that case one must look to the whole system, not just the basic income, to assess its implications. Either way, it is the details of the program designs that will ultimately determine how effectively poverty is reduced and the way the policies balance the competing characteristics within our framework.

### **Economic disruptions**

The second objective is one that has become of increasing interest in recent times—to mitigate the effects of economic disruptions. A basic income has been proposed to address two types of disruptions: those associated with ongoing change processes that we are aware of and those associated with sudden changes. Examples of the first type of disruption include expected labour market changes that may arise from artificial intelligence, robotics, and other technological change, and disruptions due to climate change and policies to mitigate it. Sudden, less predictable changes include natural disasters such as pandemics and economic disruptions such as major recessions, which are both sudden and transient.

Both types of disruption are related to the characteristic under our framework of supporting transitions, because whether anticipated and long-term or sudden and transient, economic disruptions force people to make transitions in their lives. The question is how effective a basic income would be in supporting and facilitating these transitions in general compared with alternatives, within the context of our justice objective.

Perhaps the disruption most commonly associated with calls for a basic income is that arising from technological change. The associated concerns are that technology is changing both the nature of work and the distribution of income. Artificial intelligence and robotics are examples of technologies that some fear will displace workers, reduce demand for labour, leaving people without as much opportunity to work, and shift income from workers to the owners of capital. A basic income funded by taxing the

resulting economic rents accruing to technology giants has been suggested as a solution to this phenomenon.

However, as shown in detail in Part 3, Section 4 (Labour Market Trends), there is no evidence of the starting premise that the nature of work is being disrupted by technology on a large scale, at least not to date. There is evidence of a significant degree of precarious work in the labour market, which has significant implications from a justice and economic perspective, but those structural issues arose decades ago and do not seem to be getting worse. As we will discuss in Part 6, there are good reasons to believe that labour regulation can reduce many of the issues that cause job precarity. Based on these assessments, we believe that it would be premature at best to implement a basic income to address a disruption that has not so far materialized on a large scale and the ultimate form of which is uncertain, while the alternative of regulatory reform in this area could have a significant beneficial impact.

Climate change is most likely to disrupt certain industries in a negative way, and others in a positive way. Negatively affected industries will include those closely related to fossil fuels but also industries affected by climate change in particular locations, such as agriculture and forestry. Climate change can also positively affect these and other industries in different locations, and the response to climate change—for example, benefiting industries associated with alternative energy and construction of infrastructure needed to adapt to climate change. Overall, what is needed is support in making transitions for those whose lives are negatively affected by climate change itself or the response of government and the economy to mitigate and adapt. A basic income could provide a base level of protection throughout the economy from disruptions as a type of automatic stabilizer. The question for us is: would that be better from a justice perspective than a more targeted transition support approach or a combination of a basic income and targeted programs? Given the fiscal and economic implications, this is a valid question.

Sudden economic disruptions resulting from market forces such as recessions or natural disasters such as the COVID-19 pandemic are much more transitory. These will have a significant economic impact that may last for a few years, but the transitions requiring support are abrupt and, for many, short-term. On the other hand, recessions and natural disasters will undoubtedly arise in future, as has happened throughout human history, and being prepared to respond is a valid objective. Once again, the question is whether the passive broad protection provided by a basic income is the best way to prepare for the disruption of the next disaster. Or would it be preferable in terms

of the balance among our justice-focused characteristics to prepare by having the ability to respond quickly and effectively when needed?

### **Redistribution of economic rent**

The third objective suggested for basic incomes is to be a means to redistribute economic rents—to provide a social dividend. An example of this type of basic income exists in the form of the Alaska Permanent Dividend Fund, which makes cash transfers to residents funded by resource rents, revenues generated from the sale of publicly owned natural resources. A basic income has been suggested as part of a revenue-neutral carbon tax scheme. Basic income could also be used to distribute other windfall-type revenue streams. Considerations related to taxing economic rents as a source of funding are discussed in Part 3, Section 3 (Fiscal Context).

The taxing of economic rents has long-standing support in economic theory and we suggest considering such taxation as a basis for funding program reforms. There is no clear reason, however, why the revenues from such a tax would have to be linked to a basic income. They could equally well be used to fund basic services or other policy reforms.

### **3.3 Types of basic income**

Advocates in Canada and elsewhere have proposed many types of basic income schemes, which could be classified in a variety of ways. We have divided basic income approaches into different types of basic income along two dimensions: whether the basic income is income-tested, and whether the basic income is meant to apply widely or be targeted. In this section we explore both of these dimensions.

#### **Universal versus income-tested types of basic income**

One particularly useful way of classifying these schemes is based on whether and how the income of beneficiaries is factored into their benefit payments. How income is treated has fundamental implications for several characteristics included in our analytical framework: adequacy, accessibility, responsiveness, and related areas of public trust, fiscal implications, efficient administration, and economic incentives. It also gives rise to the three canonical basic income formats: universal basic income (UBI), refundable tax credit (RTC), and negative income tax (NIT). Each format has significant associated economic and operational distinctions (for more detail, see Kesselman, 2020).



## Part 5: Basic Income

In Part 3, Section 5 (Income Testing and Effective Tax Rate Implications), we outlined a general approach to describing how income testing is usually designed, which can also be applied to describing the income-testing structure of a basic income, a traditional income support program, and any number of income-tested basic services and in-kind benefits programs. That approach was used extensively in Part 4 with respect to programs that make up the current system, and we use it again here. The elements of the “simple model” are the maximum amount of the benefit (G), the rate at which the benefit paid is reduced as income increases (the benefit reduction rate (BRR)), and the break-even level (the level of income at which the benefit paid is reduced to zero (BE)). These three parameters are linked through a formula, so that once any two of the three is specified, the other is determined.<sup>79</sup>

Under a UBI, G, the full payment or “guarantee” amount, is made to all eligible persons (i.e., universally) on a regular basis without any direct impact on the transfer arising from recipients’ other income. Any conditions that are established to determine eligibility are based solely on characteristics (e.g., residency, citizenship, or age) and not on any measures of income or wealth. This type of basic income format is sometimes called a demogrant, from the Greek “demos,” meaning “people.” In terms of the simple model, by definition the BRR of a UBI is zero, and there is no BE because the full guarantee is paid regardless of how high an individual’s income.

The benefit from the demogrant can be treated either as a non-taxable benefit or as taxable income, but provisions related to the taxable nature of the guarantee would be separate from the UBI itself, typically treated as part of the program’s financing provisions. As we discuss in more detail later, though, if a UBI is fully or partially financed by applying income tax to the payments or increasing income tax rates, that has the effect of making the UBI income-tested, with the income tax rate applied acting as a non-zero BRR. For that reason, when considering the economic implications of a particular basic income proposal, it is important to analyze the implications of measures taken to finance the program, in addition to the direct implications of the basic income itself.

Unlike the UBI, both the RTC and NIT formats have income-testing elements explicitly specified as part of their design. They pay out net benefits that are directly based on and decline with recipients’ other income according to the BRR. Persons without any additional income receive the maximum benefit, G. Those with income from other

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<sup>79</sup> The formula is  $BE = G / BRR$  where BRR is expressed in decimal terms (e.g., 0.3 instead of 30%).

## Part 5: Basic Income

sources, such as wages, self-employment, pensions, rents, and investment income, receive a portion of the guarantee that is reduced by applying the BRR to the income. For those with income above BE, no benefits are paid.

These three parameters—G, BRR, and BE—all have implications for the degree to which poverty is reduced, the potential incentive effects, who the beneficiary population is, and the cost of the program, as discussed in Part 3. We also discussed extensions of the simple model, including varying the BRR and having an income exemption below which the BRR does not apply, which are elements that could be incorporated in the design of an income-tested basic income.

While both RTC and NIT basic incomes directly use income testing, they are distinguished by additional features. The RTC type of basic income operates much like current refundable tax credits available in the personal income tax system. An RTC basic income would deliver periodic payments calculated on the basis of the beneficiary's income as reported on their previous year's tax return, so that they could respond to income variations only with a long lag. The Canada Child Benefit (CCB) is an example of an RTC basic income targeting a specific group (children) and conditional on the family's previous year's income.

The NIT is also a basic income type that provides periodic payments to recipients based on income, but, unlike the RTC, NIT payments respond to beneficiaries' income fluctuations within the year. Benefit payments can thus be highly responsive to changes in individual short-term need; however, depending on the design, that can result in overpayments that must be recouped over time. To achieve this responsiveness, the NIT format requires reporting of individual incomes periodically within the year, so it cannot be implemented as a simple adjunct to the income tax system as it currently stands.<sup>80</sup> There is no existing example of a Canadian NIT, but Manitoba's Basic Annual Income Experiment (Mincome), undertaken in the 1970s, was an NIT requiring monthly reporting of income. All of the American basic income pilots have also been NITs.

Apart from the administrative considerations related to how frequently the income test is applied, the choice between an RTC and an NIT approach is effectively a trade-off between income stability associated with benefits that are fixed for a year at a time and responsiveness to short-term fluctuations. The preferred approach may depend on the characteristics of the group being targeted, if it is not widely applicable, and the

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<sup>80</sup> If the income tax system were reformed to allow for real-time or frequent reporting of an individual's income, an NIT could be delivered through the tax system. Such a system exists in Ireland.

objective. For example, providing for costs associated with raising children through the CCB may be best suited to a stable RTC, while for a basic income with poverty reduction as its primary goal, responsiveness to short-term income fluctuations may be given more weight.

### **Income testing and trade-offs**

The degree of income testing of a basic income has special significance for two reasons: first, it directly reflects the trade-offs among adequacy, incentives, and cost considerations; and second, it interacts with existing incentive effects in the personal income tax system and other potential financing methods. Both of these considerations are discussed in Part 3, Section 5.3 (Combined Incentive Effects on Labour Supply), and these same considerations apply, in general, to all income-tested programs.

The three parameters associated with income testing—G, BRR, and BE—directly relate to the trade-offs among cost, adequacy, and incentive effects. G is related to adequacy, and for obvious reasons higher is better in terms of poverty goals. BRR is related to work and other incentives because it is effectively a tax rate on other income, and taxing income creates a variety of disincentive effects, so lower is better. BE (in conjunction with G) is related to the number of people who will receive a benefit, directly reflecting the trade-offs among adequacy, economic implications, and cost. Providing benefits to more people tends to increase adequacy by not only lifting people out of poverty but also protecting against adverse events. But higher BE levels tend to increase the economic impact by adding the BRR to progressive tax rates that increase with income, increasing the economic implications, and of course the more people who receive payments, the more expensive the basic income would be. These trade-offs are illustrated graphically in Part 3, and Part 3 also explains how and why taxes have a labour-supply effect and what the evidence shows about the magnitude of that effect.

The trade-off between adequacy, as measured by the rate and depth of poverty, and cost can be seen in concrete terms in our later discussion of the basic income simulations for B.C. conducted on behalf of the panel. The economic impact associated with BRR, together with other tax rates, depends not only on the design of the basic income itself but also on how it will be financed, since the effect arises from the combined effective tax rates. This is discussed in more detail in Section 5 (Financing a Basic Income).

## **Responsiveness to change in personal circumstances**

A key characteristic of our framework that has an effect on the issues of whether and how to implement income testing for a basic income is responsiveness to changes in personal circumstances. By this we mean timely provision of resources when the ability to provide for basic needs changes suddenly, whether on a short-term or permanent basis, and whether due to reduced income, increased costs, or both. These adverse events could arise from changes at the personal level (such as the onset of a disability) or from changes that affect the whole society (such as a pandemic).

In principle, resources provided in response to changes in circumstances could be cash transfers or in-kind benefits, such as services, or both, as is provided by the current mixed system. Many approaches can be taken to build responsiveness into the system, and it is not crucial that a given program, such as a basic income, address this characteristic. However, one of the key distinctions among the three types of basic income we are discussing here is the extent to which they respond to changes in personal circumstances.

### *UBI*

A UBI, being paid out continuously to everyone, is immediately available when an income loss or catastrophic event occurs. This ready backstop, though, comes with a high price tag, since it is also continuously being paid to all, even those who are not experiencing a negative event. In addition, the fact that it is paid continuously raises the possibility that people will build the amount into their regular budget—using it to rent a better apartment or buy a car on a payment plan. Indeed, one of the arguments in favour of a basic income is that it will allow people to make these more permanent changes. However, to the extent that families behave this way, the UBI will not respond to their additional needs arising when they face sudden shortfalls in income. Thus, a UBI provides a certain amount of general protection but does not respond to changes in need. The trade-off is that a UBI is not complex or costly to administer, but the program's complexity and operational cost would increase if responsiveness to changes in need were desired.

### *RTC*

An RTC is the least protective of the three variants in terms of response to adverse events. Because an RTC is based on the previous year's income, it responds to changes in income with a considerable lag, with the needed support arriving as much as 24 months after a significant change in other income. This has several implications.

## Part 5: Basic Income

Because of the time lags, an RTC will not always treat people who have the same current income the same, violating a basic type of fairness that is a common consideration in the design of taxes—equal treatment of equals, or horizontal equity. Appendix 5-A provides some illustrations of the relative responsiveness of the RTC and NIT basic income types, and the potential impact on horizontal equity. As with a UBI, it would be possible to have other programs available to address changes in personal circumstances, as the current system already does, to some extent, but as a stand-alone measure the RTC performs poorly in responsiveness.

By using the income tax system to calculate and deliver benefits, an RTC basic income has the same general advantages and disadvantages as all programs that rely in the income tax system. Use of the tax system means an RTC approach is simple to implement, has low associated stigma (since others can't see the calculations on your tax form), and relatively low administrative costs. However, as discussed in Part 4, the income tax system does have drawbacks as a platform for delivering benefits or as the information source for income-testing purposes. In addition to lack of responsiveness to changes in personal circumstances, the tax system imposes significant barriers to access for certain people, especially the most vulnerable populations. These people may not have to file tax returns because of low income and may not be willing to file because of distrust of the system and the consequences of filing, previous compliance issues, or a lack of the information, documents, and general capacity to complete and file a tax return. Filing rates for those who are not required to report but would benefit from existing RTCs is very low (Petit & Tedds, 2020g).

### *NIT*

An NIT provides the most responsive approach to adverse events affecting income, since evaluations of need are carried out within the year—for example, on a monthly basis. That provides an ability to respond at the time of an income loss or catastrophic event.

However, the stream of benefit payments under an NIT can be quite volatile in the short term, trading off stability for responsiveness. A difficulty that can arise with such a responsive approach, though, is related to how income testing is applied in practice. When monthly income fluctuates, how should the income-testing approach be applied? Should the BRR be applied each month to the income in that month to determine the benefit, or should the BRR be applied to some sort of averaged or smoothed income amount that reduces volatility in the benefit amounts paid? If benefits are quick to be initiated but take time to reassess and withdraw, the NIT has the disadvantage of

potentially requiring a recovery of overpayments at tax time or in future months, although the extent to which this is a concern depends on design details (see Kesselman, 2020). Because of the RTC's use of the previous year's income, addressing recovery of overpayments is, generally, not a feature of this type of basic income approach.

It should be noted that Income Assistance has benefits calculated monthly based on reporting by recipients. Temporary Assistance uses a monthly income exemption, and benefits change on a monthly basis, limiting overpayment except in cases of income misreporting. However, Disability Assistance applies an annual income exemption, which provides more stability to monthly payments but also increases the chance that overpayments will be made and will need to be repaid, or that recipients will choose to stop working when they approach the annual exemption.

Given that the Canadian tax system currently does not include a system for making sub-annual adjustments to payments, one of the main drawbacks of the NIT is that it would imply the need to create a new, complex, and costly administrative system or undertake a substantial reform to the current tax system. Some countries, like Ireland, have tax systems that incorporate sub-annual reporting from employers about employee incomes and effectively assess tax monthly. That kind of tax system would offer more freedom to design a basic income that better balances stability and protection against adverse events, but implementing such a system would require a national-level reform of the tax system. It is not something that B.C. could do on its own.

### **Widely applicable versus targeted types of basic income**

Our discussion of the types of basic income so far implies a focus on programs that would apply to the population generally, whether universal or conditional on income. However, a basic income need not be widely applicable. The alternative is a targeted basic income, sometimes referred to as a categorical basic income, which is conditional on meeting eligibility criteria.

In traditional forms of income-transfer programs, targeting groups defined by eligibility criteria addresses conflicts among adequacy, incentives, and cost. Restricting eligibility to particular groups defined by observable characteristics other than income directly reduces the potential program cost. Attributes such as age (e.g., children or seniors) or disability are common eligibility criteria. Targeting is also useful for dividing beneficiaries into two (or more) groups with different levels of basic need and other characteristics that can be addressed through some of the design choices discussed later in this section. Also, targeting can reduce concerns about labour supply effects, if people

reduce their paid work because of the availability of benefits or the way income testing is done, in two ways. Since the targeted group is only a fraction of the population, the economic implications are smaller. In addition, where the targeted group has a lower level of labour force attachment than the general population, labour supply effects are also more muted for the group. That would apply, for example, to those with severe disabilities and to seniors, but many groups could potentially be targeted where that would not apply.

Any of the three types of basic income—UBI, RTC, or NIT—could be targeted. That is, a targeted basic income could be income-tested or not, and could be designed to be either stable over time or responsive to short-term changes in income.

Similar to targeted traditional income and social support programs, the challenge is to design eligibility criteria and adjudication/administration processes in a way that does not violate basic income principles of simplicity, respect, and social inclusion to make the program accessible. The challenge is to accurately and fairly target a group without taking dignity from applicants and recipients and without adding undue complexity. With traditional programs, the way eligibility is defined and applied by administrators often contributes to the features of those programs that are inconsistent with justice—stigmatizing users, unintentionally excluding certain groups, and creating complexity that is a barrier to access.

One way of mitigating these concerns would be to combine a widely available low-benefit basic income with targeted programs that provide additional benefits, some cash-transfer programs for specific groups and some basic service programs that provide protection against specific costs, such as health-care costs. That would at least provide some resources to those prevented from applying or qualifying for the higher-guarantee conditional programs by barriers to access arising from eligibility rules.

Another mitigation channel is to provide those who need to access the benefits with channels to provide input on the programs on an ongoing basis so they can take part in designing and maintaining a more respectful system. Grounding their input in a human rights basis, as is being done in the federal National Housing Strategy, seems to us to be a particularly promising approach.

This discussion yet again illustrates that design details really matter. Targeted basic income programs can be effective elements of a just income and social support system, with or without a generally applicable basic income. However, eligibility rules and gatekeeping associated with eligibility, together with other design parameters, must be

carefully considered to balance complexity, fairness, respect, cost, and incentive effects.

### 3.4 Benefits

Several elements of basic income design relate directly to the nature of the benefit provided and affect how well the design aligns with basic income principles and the panel's broader framework, as outlined in Table 5-2.

#### Adequacy

Adequacy is about the size of the guarantee, a design element that is a significant factor in determining the degree to which a basic income would reduce poverty, especially the rate and depth of poverty. But as discussed earlier, the maximum benefit also drives the cost of the basic income and the economic implications of the program in terms of its incentive effects both directly and through its financing requirements.

As the analysis of the current system in Part 4 illustrates, adequacy must really be assessed at the system level. The level of benefits for a given basic income that would be considered adequate from a poverty reduction perspective depends on the other supports that are provided. That is true whether considering a widely applicable basic income or a targeted basic income, where the cost of basic needs not supplied by other programs must be taken into account.

#### Definition of income

In the case of income-tested basic incomes, adequacy depends not only on the size of the guarantee but also on the extent to which and how the payments are conditional on additional income. This is most directly related to the BRR but also depends on exactly what sources of income the BRR applies to—the definition of income for the purposes of the basic income.

#### *Income testing unit: Household versus individual income*

One definitional issue is whether family or individual income is used for the income test, which we refer to as the income-testing unit. Family income is often used in the income tax system when assessing refundable tax credits and in most benefit programs, on the assumption that family income is shared. Making calculations based on family income, rather than individual income, will reduce the cost of a given basic income design (i.e., the same G and BRR).



This is especially true where incomes within couples are unequal. For example, in a couple with one high earner and the other with little or no income, if we evaluate based on family income, benefits would be taxed back (possibly to zero) for both members of the couple, but if the income-testing unit is the individual, the low earner in the couple would get large benefits and the high earner zero benefits.

However, not all families do share income, and use of individual income may help people, specifically women, to leave abusive relationships, especially if payment is made to each individual. It should be noted, though, that just because the cost of a given design is lower if family income is used, it does not necessarily follow that, if you fix the cost rather than the design parameters, a basic income using family income will be more effective in reducing poverty. We explore this question in Section 4.2 (Finding Optimal Basic Income Parameters for Reducing the Poverty Rate), which in fact shows that using the individual as the income-testing unit is more effective.

So far, we have used “family” as shorthand for “household,” largely because “family” is the terminology used for Canadian income tax purposes. In that context, a family is a nuclear family composed of a single person or a couple (married or common-law), together with their dependent children. However, innumerable examples of “economic household” exist where people live together within some sort of economic arrangement that differs from the nuclear family. Many economic households involve extended families, but many involve no familial relationships. Even when all members of the household share a familial connection, there is the question of whether dependent adult children living in the same residence should be considered part of the household for basic income (and tax) purposes or should be considered their own family/household.

If reduction of poverty is a primary consideration, a basic income administered based on economic households would reflect the economic relationships within the household and better target those most in need. In fact, as noted in Part 3, Market Basket Measure (MBM) poverty statistics use economic households as the basis for determining the poverty rate and depth of poverty. However, using the economic household as the income-testing unit is not practical under the current tax system, which suggests another practical difference between the RTC and NIT forms of basic income. If RTCs rely on the tax system, that implies use of the nuclear family, unless that aspect of the tax system is reformed. An NIT that is administered separately from the tax system could also use a different definition of household as the income-testing unit, but not without introducing complexity.

### *Income-testing basis: Definition of income*

Our analysis of the current system shows how many different definitions of income are used in the income tax system and in various transfer and benefit programs for different purposes, creating complexity across the system. In designing a basic income, it is important to keep in mind this source of complexity, with its implications for accessibility, as well as any effects, intended or not, that could arise because of the many definitions used by different programs. From another perspective, designing a basic income could be an opportunity to develop a consistent basis for defining income and other elements of income testing across the income and social support system, with avoiding unnecessary complexity as a key consideration.

The types of income included determines the level of benefit a household receives under an income-tested basic income. This has real implications in terms of whether people in comparable circumstances are treated the same. Income Assistance, with its funder-of-last-resort principle, has the broadest definition of all the income-tested programs available in B.C., which means that benefits are reduced for Income Assistance purposes by sources of funding that do not affect other programs. For example, gifts and lottery winnings are both subjected to the 100% BRR associated with income assistance and could result in a person losing eligibility. In contrast, many other income-tested programs, from RTCs to PharmaCare, use income tax information for income testing. While there is inconsistency in the exact calculation of income for the purposes of the different benefits, at least all exclude the same set of non-reportable income items, most of which are transitory.

### **Uniformity of benefits**

Also related to the adequacy question is how the basic income would address differences in need associated with different costs of living. MBM poverty thresholds specifically address the fact that the location and size of a community affects the costs of meeting basic needs. In B.C. the cost of living in the Lower Mainland is higher than in other areas, especially the cost of shelter. Should the basic income be uniform geographically and, if not, what effect would that have on mobility?

Some members of society also face higher costs than others, especially those with disabilities. A basic income providing a generally available guaranteed minimum income achieves simplicity by providing the same income guarantee to everyone. Such a guarantee amount, set to achieve a certain poverty reduction goal, for example, would have the result of leaving those facing higher costs due to their disability disadvantaged, unless those costs are covered in another way.

When designing a basic income, therefore, it is important to be specific about how those with a disability will be treated, whether through a higher guarantee level provided by a targeted basic income, additional cash transfers provided by another program, and/or basic services or other in-kind benefits provided by other programs. Those details will ultimately determine the consistency with basic income principles like simplicity, respect, and social inclusion.

### **Interactions with other programs**

This design element concerns whether the basic income would be layered over the existing system without change or the existing system would be changed when the basic income is introduced. Conceptually, this question is different from the question of how the basic income would be financed, but in practice the two ideas are inevitably entangled.

Depending on the basic income design, it may interact with the tax system, requiring adjustments to existing tax credits, refundable or not, or tax rates and structure. Adjustments might be needed to avoid extreme disincentives caused by the aggregation of basic income and tax system features, or to eliminate duplication and overlap.

In addition, a basic income will obviously interact with Income Assistance. As detailed in Part 4, Income Assistance is intended to be the funder of last resort and uses an extremely broad definition of income for income-testing purposes, which includes almost every source of income, including many ignored by the tax system, like gifts. If current Income Assistance principles are applied, any basic income payments would be considered income for Income Assistance purposes, eliminating or reducing eligibility for Income Assistance or reducing benefits paid for some, depending on the size of the basic income benefit and the income-testing parameters chosen.

However, that would not necessarily mean that Income Assistance would no longer operate. For example, if there were an RTC, Temporary Assistance could remain as a complementary program that provides the response to short-term changes in income that the RTC is unable to provide. Consider a person with income above the BE point in the previous year whose income falls to zero: until the RTC amounts are adjusted in the following year, the person would receive no basic income payments and would satisfy the income eligibility requirement for Income Assistance. Depending on the basic income guarantee amount, Disability Assistance could also act as a top-up to the basic income for those who qualify.

Another interaction arising from a basic income reducing Income Assistance eligibility would mean that access to in-kind benefits provided as supplements by the Income Assistance system would be eliminated, unless some change were made to Income Assistance. Depending on the specific design features of the basic income, interactions with other existing programs are possible, and care would have to be taken to ensure that unintended consequences that act to inadvertently reduce the effectiveness of the overall system are not the result.

Two points require emphasis here. The first is that it is not enough, when designing a basic income, to consider the new program in isolation, because in practice it will inevitably interact with the pre-existing system. It is important to specify how the pre-existing system will be adjusted, if at all, when the basic income is implemented. The second is the necessity, when evaluating the proposed basic income in terms of alignment with principles, to assess how the system as a whole has changed. The simplicity of a UBI may be eroded by consequential income tax changes, for example, or the adequacy and responsiveness of the system may be reduced if in-kind benefits are eliminated on the introduction of a basic income.

### **Duration and frequency**

“Duration” refers to whether a program is permanent or temporary in nature, providing benefits over a defined period. “Frequency” refers to how often benefits are paid.

It is self-evident that permanent programs provide more financial security, but eligibility conditions that limit the duration of a program could be part of the program design, depending on its specific purpose. For example, a targeted basic income focused on children aging out of care may provide temporary benefits if the objective is to facilitate transition to self-sufficiency. Financial security will then depend on what happens when the temporary guarantee expires.

Simplicity suggests that the frequency of payments should be standard for everyone. A common frequency used for benefit payments is monthly. However, some populations might be hurt by receiving a relatively large cash payment once a month. The “welfare Wednesday” phenomenon illustrates the social and health consequences of monthly Income Assistance payments (Richardson, 2019). This issue is particularly critical among the most vulnerable populations, given the opioid crisis, but the solution is not obvious. The Income Assistance program has features that allow the frequency to be adjusted, often using community not-for-profit service providers to help recipients who are unable to manage their resources. However, not only would that add complexity and compromise autonomy, but it would be difficult to administer without stigmatizing

recipients. This is an example of the trade-off between freedom of choice associated with unconditional cash transfers and the adaptation of programs to recipients' actual needs, consideration of which is encouraged by our justice framework but directly violates the four basic income principles.

Another alternative to regular monthly payments arises because some groups may require lump-sum payments to get back on their feet after a traumatic adverse event, without which an ongoing stream of payments may not be enough to meet basic needs. For example, an Alberta program for women escaping domestic violence provides a lump-sum payment up-front and an ongoing stream of payments, among other supports. Again, this is more consistent with a hybrid set of programs that provide cash transfers and basic services designed to work together for a specific purpose within a broad justice framework, than a basic income consistent with the four principles.

### **Income-testing unit, payment unit, and scale factor**

Three design parameters affect how the benefit paid is determined and to whom it is paid:

- the income-testing unit parameter—whether the income testing is based on individual or family income (relevant only for income-tested basic income, not UBIs)
- the payment unit parameter—whether the benefits accrue to and payments are made to the family, as represented by one member, or, regardless of how the benefit is calculated, the beneficiary and the payee is each individual adult in a family (relevant for both income-tested and universal basic incomes)
- the scale factor parameter—applied to the maximum benefit for a single person when there is more than one person receiving benefits to determine the maximum benefit (applies to both income-tested and universal basic incomes)

### *Income-testing unit and payment unit*

We start by putting these income-testing and payment unit parameters into the context of existing examples, one delivered by the tax system and one delivered separately.

The income tax system, which delivers several RTC benefits, treats taxes and benefit delivery in different ways. In general, taxes are assessed and paid at the individual level

based on the individual's income, with a few notable exceptions,<sup>81</sup> but tax credits are usually determined based on family income for couples and paid to one family member. The Canada Child Benefit is such an RTC basic income, with the family as both the income-testing unit and payment unit.

The Old Age Security/Guaranteed Income Supplement (OAS/GIS) is another basic income program, but it is delivered by Service Canada rather than through the income tax system. It is also a combination of a component that is effectively a UBI targeting seniors (OAS) and an income-tested component (GIS) that is effectively an RTC, despite not being delivered by the tax system. For both components the payment unit is the individual, but for GIS income testing applies to family income. OAS benefits are also subject to tax recovery on higher-income recipients, which is applied based on individual income.

These two parameters can each have two values—individual (I) or family (F)—so there are four permutations possible for income-tested basic incomes. With individuals as the income-testing unit and individuals as the payment unit, the result is simply that each person receives the amount calculated for them (I-I). Where income testing is done on the basis of individuals, payment can still be aggregated and paid on the basis of the family (I-F). Likewise, a benefit calculated for a family could be made in one payment (F-F) or divided and paid separately to the individual family members (F-I).

The reason we distinguish between these two parameters is that, regardless of the income-testing unit chosen, separate payments to each person in a family is linked to autonomy. The individual payment unit choice provides each family member with, at least in principle, the freedom of choice to use the benefit as they see fit. Where there is a power imbalance in the family, that may not be true in practice, but it is consistent with basic income principles, with our justice framework, and with avoiding systemic approaches that are likely to contribute to gender inequity.

### *Scale factor*

The third parameter we discuss here is the scale factor—how the maximum benefit for a single person is scaled up for more than one family member. The question is: should the size of G for a household be simply that of G for a single person times the number of people in the household (per capita), or should it be adjusted by a lower scale factor?

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<sup>81</sup> For example, some deductions and credits are transferable between married or common-law partners who have low income and for dependent children, as well as some income-splitting provisions.

Using a lower scale factor would reflect the fact that sharing expenses as a member of a household costs less than living alone. For example, housing rental costs for two people living together will clearly be less than twice the cost facing each person living on their own. A common scaling factor is the square root of the number of people in the household, which is used in a number of existing cash and in-kind benefit programs. Note that this is also the scale factor used to calculate the MBM threshold for a family of a given size, starting with the MBM threshold for a representative family of four reported by Statistics Canada.

Applying a scaling factor of the square root of the number of household members to a guarantee amount reduces the cost of a basic income compared to per capita guarantee levels for households. If, for example, the guarantee per person were \$10,000, then a couple would receive \$20,000 on a per capita basis but \$14,100 if the square root scaling were used to recognize economies of scale. For a program with given cost and BRR, using a per capita scaling would reduce the feasible guarantee for a single person to less than that under a square root scaling.

### 3.5 Administration

Any of the three types of basic income discussed earlier could in principle be administered and have payments delivered by the Canada Revenue Agency (CRA) or by a new agency established for that purpose. In recent decades the CRA has played an increasingly important role in the delivery of benefits, both as the administrator and the payment agency for refundable tax credits and as the source of information for income-testing generally.

We discussed the advantages and disadvantages of the CRA as a benefit platform in detail in Part 4, Section 4.2 (System Accessibility) but, to summarize, the CRA is a national repository for verified income information for a large proportion of the population, and integrating benefits administration with tax administration provides an automatic and administratively efficient platform that carries little inherent stigma. However, especially for vulnerable populations, CRA benefit delivery poses significant barriers that lead to low levels of access among those with low incomes. The use of tax administration to deliver benefits also imposes limits on the design of benefits, which must be consistent with the design of the tax system, such as annual filing and income assessment. There is also a natural tension between tax and benefits administration, since the CRA's roots are as a tax administrator, and the CRA is not trusted by many (CRA, 2017).

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A widely applicable RTC fits naturally with CRA administration because it is fully based on tax system integration. A targeted RTC could also be delivered by the CRA, provided that eligibility can be established either using income tax information or by an external agency that shares eligibility information with the CRA.

A UBI could be delivered by the CRA, but because income testing is not part of the design, there are fewer advantages to using the CRA than there would be with an RTC. The alternative is creating a provincial UBI-specific agency.

An NIT requires frequent (such as monthly) reporting of employment income and payroll deductions on each employee. In addition, intra-year reporting would also need to be extended to many other types of payments, such as pensions, self-employment income, RRSP withdrawals, net rental income, interest, dividends, and realized capital gains. Currently these payments are reported to the CRA only at year's end, and for payrolls the current monthly reporting by each employer is only on an aggregate basis for all of its employees. An NIT could therefore be implemented only with major administrative reform—either creating a new agency or substantially overhauling the CRA's mechanisms. In this sense, movement to an NIT would be a significant undertaking for the government as well as for payroll deduction payers, financial institutions, and tax filers; it could not be done immediately and is likely something that the CRA would not contemplate for a single province. However, basic income aside, considering such reforms could have many advantages for the administration of the income tax system, not the least of which is that automated tax filing for most taxpayers and better administration of existing RTCs could result.

If a separate agency were established to administer a provincial basic income on the NIT model, it would require creating and maintaining a general register of provincial residents. Such a list does not currently exist, but the record of those eligible for MSP services would be a possible starting point. Monthly reporting of income data would be required as a condition of receiving a payment, which would be a significant undertaking in terms of collection and verification of the information, depending on the number of potential recipients, driven by the BE point. This work is already undertaken for Income Assistance purposes, but expanding the coverage to not only the entire low-income population but others whose incomes might on occasion drop below BE would be a gargantuan task. In practice, the system would require that all employees and others receiving incomes be included in the system, and the fact that many B.C. residents receive incomes from out-of-province sources would be a further issue.



### 3.6 Conclusion

This section has highlighted one of our key conclusions about basic income: it is not simple to design or implement a basic income, and a basic income is unlikely in practice to be as simple for users as many have claimed.

Basic income proponents rarely address all of the many considerations that arise. These considerations invariably lead to difficult trade-offs, and it is all too easy in addressing these trade-offs to create a design that is inconsistent with basic income principles. As a result, a fully specified proposed basic income that fully takes our analytical framework into account may share as much with existing cash-transfer and basic service programs as it does with the basic income ideal.

The UBI format is simple, accessible, and respectful, but also expensive, a trade-off quantified in the next two sections. Although it protects everyone against changes in income, it is not responsive to other changes in circumstances, nor does it directly address higher costs faced by those with disabilities and others with specific differential needs. Addressing these additional needs would require other provisions and programs. It is clear to us from comparing the current system with basic income alternatives that targeted cash transfers and basic services are unavoidable, regardless of the design of a core cash-transfer program. The current system already provides much of that base coverage, but it has gaps that must be filled and programs that can be improved. Introducing a UBI would almost certainly preclude that from happening because of the cost.

The cost associated with a UBI can be reduced through using an income-tested variant, and benefit responsiveness to changes in personal circumstances can be improved with an NIT or with responsive complementary programs. However, each of these steps has its own complications, consequences, and trade-offs. Cost, poverty reduction effects, simplicity, stigmatization associated with eligibility requirements, the guarantee level, the benefit reduction rate, the delivery mechanism, and many more design factors must all be specified in a complex set of trade-offs. Because of these unavoidable compromises, there is clearly no single perfect basic income design.

## 4. Simulation results

The review of basic income design parameters in Section 3 (Basic Income Design) raises the question of how given basic income design choices affect the practical outcomes in comparison with alternative choices. In this section, we summarize key findings from the results of simulations of 1,640 scenarios of basic income commissioned by the panel (Green, Kesselman, Tedds, Crisan et al., 2020).

The simulations were implemented using the Social Policy Simulation Database and Model (SPSD/M) platform provided by Statistics Canada, which includes a representative, de-identified database of Canadians with information combined from several different sources, together with the ability to model different policies. The simulations calculate for each representative person and household in the database how a basic income with a specified set of parameters affects them, and aggregates those results to determine the overall effects for B.C. The simulations are done on the basis of “economic families,” the same basis used by Statistics Canada to measure poverty using the Market Basket Measure (MBM) making our results consistent with the poverty trends discussed in Part 3, Section 2 (Poverty in British Columbia).

For each basic income scenario simulated, the estimated impacts include:

- the number of recipients
- the amount received by each, allowing the total cost of the basic income and the distribution of benefits across income and demographic categories to be estimated
- the impact of the benefit received on disposable income as measured for the purpose of applying the Market Basket Measure (MBM), allowing the effect on the rate and depth of poverty to be estimated

We have undertaken all of the simulations only for working-age adults between 18 and 64 years. Since basic income programs already exist for children under age 18 (Canada Child Benefit) and seniors age 65-plus (Old Age Security/Guaranteed Income Supplement), we have focused on working-age adults for the purpose of simulating basic income implications. For these reasons, we exclude children under age 18 in assessing family size for purposes of computing benefit entitlements.

The simulations assume that basic income benefits will not affect Income Assistance benefits. The simulations also do not model the impact of behavioural changes induced by a basic income or how it might be financed. These issues are discussed further in

Section 6 (Financing a Basic Income). All of the simulations were of widely applicable basic incomes, as the data were not available to determine eligibility for targeted variants of basic incomes.

To create the various permutations of basic income simulated here, we varied the type of basic income, the maximum benefit amount, the scale factor, and, for RTCs the BRR and whether income testing was done at the family or individual level.

We analyze the simulation results in two ways. First, we provide summary results for a set of permutations that illustrate the general effects of changing these parameters on the program cost, poverty rate, and depth of poverty. Second, we use the full dataset to analyze which specifications provide the greatest reductions in poverty rate for a given cost.

### 4.1 Summary results

For the summary results, we have specified the following parameter choices, which are combined in various permutations:

- type—UBI and RTC<sup>82</sup>
- $G$  = \$5,000, \$10,000, and \$20,000 for a single adult
- scale factor—per capita and  $\sqrt{2}$
- BRR = 15%, 30%, 50%, and 75% for the RTC
- beneficiary unit for the RTC—individual and family

The common income-testing parameters  $G$ , BRR, and BE are related by the expression  $BE = G / BRR$ . Table 5-3 shows the BE points for each of these permutations of  $G$  and BRR. For couples,  $G$  and BE also depend on the scale factor applied, per capita or  $\sqrt{2}$ , with  $G$  and BE shown for both options.

The table makes clear how increasing the BRR reduces BE, and also shows how the choice between the per capita and the square root of 2 scaling factors affects the BE point. We include, as benchmarks, the 2018 Vancouver MBM threshold, median income, and average income. These provide context for the various BE levels

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<sup>82</sup> Because only annual data are available, it was not possible to simulate a more responsive form of basic income, such as an NIT. The NIT is known to have a significant larger cost than the RTC with identical  $G$  and BRR (Allen, 1973; Kesselman, 2020).

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calculated for different combinations of parameters. The fact that median and average incomes for couples are nearly triple those for singles is consistent with our observation in Part 3 that singles make up a high proportion of those in poverty.

*Table 5-3: Break even points at various levels of G and BRR*

<b>BRR</b>	<b>Single<sup>83</sup></b>	<b>Couple per capita<sup>84</sup></b>	<b>Couple <math>\sqrt{2}</math></b>
	G = \$5,000	G = \$10,000	G = \$7,071
15%	\$33,333	\$66,667	\$47,140
30%	\$16,667	\$33,333	\$23,570
50%	\$10,000	\$20,000	\$14,142
75%	\$6,667	\$13,333	\$9,428
	G = \$10,000	G = \$20,000	G = \$14,142
15%	\$66,667	\$133,333	\$94,281
30%	\$33,333	\$66,667	\$47,140
50%	\$20,000	\$40,000	\$28,284
75%	\$13,333	\$26,667	\$18,856
	G = \$20,000	G = \$40,000	G = \$28,284
15%	\$133,333	\$266,667	\$188,562
30%	\$66,667	\$133,333	\$94,281
50%	\$40,000	\$80,000	\$56,568
75%	\$26,667	\$53,333	\$37,712
<b>Comparative income levels<sup>85</sup></b>			
MBM Vancouver 2018	\$20,322		\$28,739
Median income	\$35,500		\$102,300
Average income	\$43,900		\$119,100

An interactive visualization providing all of these summary results is available at <http://www.bcbasicincomepanel.ca/> or by clicking on the tables presented here with

<sup>83</sup> Also applies for each spouse of a couple if per capita benefits and BRR are applied to income of each separately rather than jointly (family income).

<sup>84</sup> Assumes that BRR applies to joint family income. The case of a per capita benefit for couples with individual income testing yields the same results as for "Single" in the table; the case of a scaled benefit for couples with individual income testing is not considered very plausible but would have the same BE as "Couple  $\sqrt{2}$ ."

<sup>85</sup> MBM threshold uses the 2008 base (Statistics Canada Table: 11-10-0066-01) and 2018 incomes for B.C. singles and economic families, which includes couples (Statistics Canada Table 11-10-0191-01).

partial results. Table 5-4 provides a subset of results focused on how the choices related to income testing, G, and BRR affect the cost and implications of the basic income. In this exercise, we focus on combinations of parameters that use the family income testing unit and couples' benefits scaled by the square root of two, because these are the least expensive options and the most consistent with most proposals for basic income programs.

The outcomes presented in Table 5-4 are the number of recipients, the cost of the basic income, the percent change in the poverty rate from B.C.'s 2018 poverty rate (8%), and the percent change in the depth of poverty (36.8%), as measured by the average gap ratio. (Part 3, Section 2, Poverty in British Columbia, provides detailed background information on poverty rates and depths.)

In addition, we show a measure denoted as poverty efficiency, the number of people lifted out of poverty per \$1 billion in expenditure. This should not be interpreted as suggesting that each permutation could somehow be scaled to raise this number of people out of poverty at a cost of \$1 billion. Rather, it is simply a way of comparing how cost-effective each permutation is in terms of its effect on poverty rates, allowing for the different options to be compared on a consistent basis.

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Table 5-4: Simulations results—Varying type, G, and BRR, for family income-testing unit and  $\sqrt{2}$  scaling

BI Type	G	Beneficiary Unit	Scale Factor	Benefit Reduction Rate	Break-Even Income (Singles)	Recipients	Cost, Millions	Percentage Change in Poverty Rate	Poverty Efficiency (Per Billion \$)	Percentage Change in Poverty Depths
					0 50000 100000	0 2000000	0 20000 40000	-80 -60 -40 -20 0	0 50000 100000	-80 -60 -40 -20 0
RTC	\$5,000	Family	SQRT(2)	15%	\$33,333	886,684	\$2,277M	-31.6%	67,910	-47.97%
RTC	\$5,000	Family	SQRT(2)	30%	\$16,667	473,246	\$1,253M	-18.13%	70,826	-16.99%
RTC	\$5,000	Family	SQRT(2)	50%	\$10,000	277,201	\$882M	-16.89%	93,758	-10.16%
RTC	\$5,000	Family	SQRT(2)	75%	\$6,667	202,114	\$734M	-16.89%	112,560	-8.24%
UBI	\$5,000	N/A	SQRT(2)			3,049,257	\$12,841M	-45.14%	17,202	-65.41%
RTC	\$10,000	Family	SQRT(2)	15%	\$66,667	1,629,269	\$8,344M	-56.36%	33,055	-76.59%
RTC	\$10,000	Family	SQRT(2)	30%	\$33,333	886,684	\$4,553M	-44.68%	48,015	-69.74%
RTC	\$10,000	Family	SQRT(2)	50%	\$20,000	558,707	\$2,931M	-22.9%	38,224	-43.95%
RTC	\$10,000	Family	SQRT(2)	75%	\$13,333	371,215	\$2,126M	-18.68%	42,996	-22.74%
UBI	\$10,000	N/A	SQRT(2)			3,049,257	\$25,683M	-65.41%	12,463	-83.6%
RTC	\$20,000	Family	SQRT(2)	15%	\$133,333	2,495,481	\$27,015M	-85.79%	15,538	-94.88%
RTC	\$20,000	Family	SQRT(2)	30%	\$66,667	1,629,269	\$16,687M	-80.01%	23,461	-92.22%
RTC	\$20,000	Family	SQRT(2)	50%	\$40,000	1,065,432	\$10,710M	-77.52%	35,415	-87.47%
RTC	\$20,000	Family	SQRT(2)	75%	\$26,667	708,181	\$7,500M	-67.89%	44,293	-82.94%
UBI	\$20,000	N/A	SQRT(2)			3,049,257	\$51,365M	-88.15%	8,398	-97.23%

Table 5-4 makes several things clear:

- UBIs are much more expensive than RTCs at every level of guarantee. A UBI guaranteeing that everyone would be at least at the MBM poverty line of about \$20,000 would cost \$51 billion for B.C. residents aged 18–64—or roughly the same order of magnitude as the entire B.C. budget. In comparison, an RTC with a \$20,000 guarantee (effectively guaranteeing that no one would be below the poverty line) and a BRR of 30% would cost roughly one-third of that.
- The trade-off between BRR and cost is obvious: for each guarantee level, the cost decreases as the BRR is increased.
- In general, the higher the guarantee, the greater the reduction in the poverty rate, but that is not a proportional relationship. Looking at the poverty efficiency measure, UBIs are much less efficient than RTCs in general, and for RTCs cost-efficiency increases with the BRR, but so does the disincentive effect that results from increased effective tax rates.
- As one would expect, higher guarantee levels reduce the depth of poverty more, and for a given guarantee, the higher the cost (i.e., lower BRR), the greater the reduction in poverty depth because there are more recipients.

Table 5-5 focuses on the two parameters not varied in Table 5-4: the income-testing unit and the scale factor. To isolate these effects, we report results with a fixed level of  $G = \$10,000$ . We encourage the reader to use the interactive visualization linked to the tables to explore the results for other combinations.



## Part 5: Basic Income

Table 5-5: Simulation results—Varying type, income-testing unit, scaling factor, and BBR, for G = \$10,000

BI Type	G	Beneficiary Unit	Scale Factor	Benefit Reduction Rate	Break-Even Income (Singles)	Recipients	Cost, Millions	Percentage Change in Poverty Rate	Poverty Efficiency (Per Billion \$)	Percentage Change in Poverty Depths
					0 50000	0 2000000	0 20000	-60 -40 -20 0	0 20000 40000	-80 -60 -40 -20 0
RTC	\$10,000	Family	SQRT(2)	15%	\$66,667	1,629,269	\$8,344M	-56.36%	33,055	-76.59%
RTC	\$10,000	Family	SQRT(2)	30%	\$33,333	886,684	\$4,553M	-44.68%	48,015	-69.74%
RTC	\$10,000	Family	SQRT(2)	50%	\$20,000	558,707	\$2,931M	-22.9%	38,224	-43.95%
RTC	\$10,000	Family	SQRT(2)	75%	\$13,333	371,215	\$2,126M	-18.68%	42,996	-22.74%
RTC	\$10,000	Family	Per Capita	15%	\$66,667	1,629,269	\$8,778M	-57.57%	32,092	-77.55%
RTC	\$10,000	Family	Per Capita	30%	\$33,333	886,684	\$4,671M	-51.31%	53,755	-70.83%
RTC	\$10,000	Family	Per Capita	50%	\$20,000	558,707	\$2,978M	-22.9%	37,620	-44.62%
RTC	\$10,000	Family	Per Capita	75%	\$13,333	371,215	\$2,156M	-18.68%	42,397	-23.14%
RTC	\$10,000	Individual	SQRT(2)	15%	\$66,667	2,335,835	\$11,580M	-61.54%	26,006	-79.25%
RTC	\$10,000	Individual	SQRT(2)	30%	\$33,333	1,378,234	\$6,554M	-51.44%	38,402	-73.15%
RTC	\$10,000	Individual	SQRT(2)	50%	\$20,000	879,904	\$4,343M	-30.98%	34,905	-51.48%
RTC	\$10,000	Individual	SQRT(2)	75%	\$13,333	620,445	\$3,258M	-27.1%	40,696	-30.84%
RTC	\$10,000	Individual	Per Capita	15%	\$66,667	2,335,835	\$13,354M	-61.95%	22,700	-80.29%
RTC	\$10,000	Individual	Per Capita	30%	\$33,333	1,378,234	\$7,501M	-56.63%	36,945	-74.26%
RTC	\$10,000	Individual	Per Capita	50%	\$20,000	879,904	\$4,975M	-36.74%	36,134	-52.76%
RTC	\$10,000	Individual	Per Capita	75%	\$13,333	620,445	\$3,757M	-32.42%	42,222	-32.27%
UBI	\$10,000	N/A	SQRT(2)			3,049,257	\$25,683M	-65.41%	12,463	-83.6%
UBI	\$10,000	N/A	Per Capita			3,049,257	\$30,493M	-68.46%	10,985	-84.67%



The results in Table 5-5 show that, for a given G and BRR, varying the income-testing unit affects both the number of recipients and program cost, while varying the scale factor affects only the cost but not the number of recipients. The results also show that, for every combination of policy parameters where the income-testing unit is the individual as opposed to the family, the cost is higher (typically by 40% or more), the impact on poverty rate and depth of poverty is larger, and the poverty efficiency is lower. In other words, when the income-testing unit is the individual, the average cost of lifting a person out of poverty is higher, but more people are lifted past the MBM threshold. Changing the scale factor from  $\sqrt{2}$  to per capita acts in the same direction (i.e., higher costs and bigger impacts on poverty rates and depths of poverty), but the differences in impacts are small.

### 4.2 Finding optimal basic income parameters for reducing the poverty rate

The results from the simulations presented to this point indicate that the guarantee level, the BRR, and the income-testing unit all have substantial effects on cost and on impacts on poverty rates and depths of poverty. It is not immediately obvious what combination of these parameters would be most effective in reducing poverty. Green, Kesselman, Tedds, Crisan et al. (2020) present an optimization exercise that uses the simulation results to compute the optimal combination of parameters in terms of reducing the poverty rate for specified cost levels varying between \$100 million and \$50 billion. This is the exercise we would want to carry out if we were designing a basic income and viewed reducing the poverty rate as our main goal.<sup>86</sup>

The results of the optimization exercise shown in Figure 5-1 point to four main observations.

First, similar to what we observed in Table 5-5, switching between scale factors has only small effects on the poverty rate at any given cost level. In some ways, this is surprising, since one would expect that the savings resulting from paying couples about 1.4 times the individual benefit (scale factor =  $\sqrt{2}$ ) rather than 2 times the individual benefit (scale factor = per capita) should allow a given amount of money to be spent on

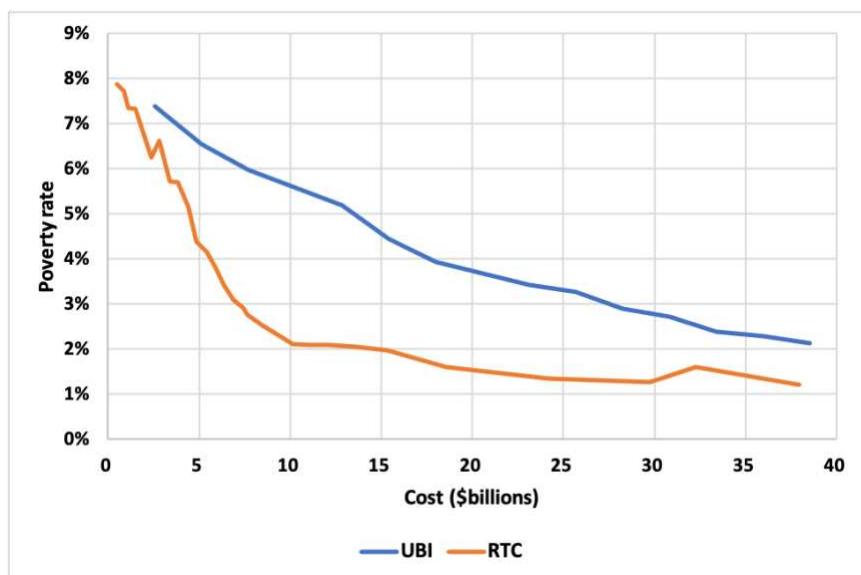
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<sup>86</sup> Results for reducing the depth of poverty point to similar conclusions, though using the depth of poverty as an outcome measure is not straightforward, since the depth of poverty can move in counterintuitive directions with increases in spending. For example, if there was a group near the poverty line and another in much deeper poverty, then increased spending that lifted the first group over the poverty line would cause the average depth of poverty to increase.

much larger reductions in the poverty rate. However, as indicated earlier, singles make up a disproportionate share of people living in poverty and, obviously, for them the scale factor distinction has no impact. This is important because it highlights the value of the simulation exercise: the general principle that paying on a family basis is less costly may be true, but it turns out to be more or less irrelevant in practice, given the actual joint distributions of income and marital status in B.C.

Second, the optimization exercise is also consistent with results described in the previous section, supporting the observation that a UBI is much costlier (and therefore less effective in reducing poverty at any given cost level) than an RTC approach. However, the comparison is somewhat complex, reflecting the fact that we are choosing optimal parameter combinations at each cost level. Figure 5-1 shows the poverty rate at various levels of cost for a UBI and a RTC set at its most efficient option with family income testing and a per capita scale factor. It shows that the two approaches are actually not very different at low expenditure levels. Even at a \$2.5 billion expenditure, the RTC approach yields poverty rates that are only about 1 percentage point lower than the UBI approach. But by \$10 billion (i.e., when G is nearing \$20,000 in the RTC approach) the poverty rate under an RTC would approach 2% or about 3.5 percentage points lower than under a UBI.

*Figure 5-1: Poverty rate at set cost levels for UBI and RTC basic incomes*



However, the figure also illustrates our third observation, that efforts to reduce the poverty rate below about 2% quickly become increasingly expensive even for the RTC.

## Part 5: Basic Income

For the UBI this goal is not achievable even with program expenditure exceeding \$35 billion.

The fourth key result from the optimization exercise is that, under the RTC, the optimal approach in terms of reducing poverty turns out to raise both G and the BRR as the cost level increases. This result is far from obvious; a potentially fruitful alternative would be to raise G but keep the BRR unchanged. The latter approach would limit the amount of G that could be afforded at any cost level, since a lower BRR extends the benefits to a wider group of recipients, making the increase in G more costly. The optimal approach turns out to be to use a low BRR when G is low, at low cost levels. That combination implies a low BE level of income so that benefits are being paid mainly to people below or not far above the poverty line. As the expenditure allocated to a basic income increases, one can increase G, but to keep it focused on low-income people, the BRR must be raised (and, with it, the BE kept low) in order to get the most reduction in poverty for the level of spending.

Taken together, these results point to an important conclusion. If our goal is to reduce poverty, then an RTC is the preferred basic income approach—especially as total spending on the basic income increases. But within the RTC approach, to reduce poverty as much as possible, as expenditures in the system increase, both G and BRR increase. As discussed in Part 3, Section 5.3 (Income Testing and Effective Tax Rate Implications) and Part 4, Section 5.1 (Income Assistance), it is high BRRs that are largely responsible for creating a welfare wall of work disincentives. This simulation exercise shows that in fact the optimal BRR rises from 10% at \$1 billion in expenditures to over 80% at \$7 billion in expenditures, not far off the B.C. Income Assistance BRR of 100%.

This result may not be clear to many basic income proponents, who often decry the welfare walls inherent in current conditional transfer systems and argue that a basic income would be much better in this regard. If one spends more than a small amount on a basic income program with the goal of reducing poverty, then it is not true that the basic income is much better than a traditional welfare program in terms of disincentive effects. In both cases, consideration must be given to how to reduce poverty while minimizing these welfare wall consequences.

Of course, all of our simulation exercises including the optimization rely on the assumption that a basic income of any format would not affect incentives and thus reduce earnings or reported incomes. In fact, as we explore in the next section, the increased taxes needed to finance a basic income in addition to the implicit disincentive

effects of the BRR applied to all with incomes below the BE would reduce incomes. Since the costs of a basic income of the RTC or NIT format would increase with reduced personal incomes, which would also reduce income tax revenues, the program costs of a real world program would be even higher than our estimates. As will be explained in the next section, even with its zero BRR, a basic income of the UBI format does not escape these second-round impacts on its budgetary costs.

## 5. Claims made for or about a basic income

Basic income has been promoted as an important policy tool for a long list of reasons, ranging from supporting increased entrepreneurial activity to increasing mental health. In this section, we assess some of the key claims made about the positive and negative impacts of a basic income. This is based on detailed assessment of these claims provided in Green (2020b).

### 5.1 Using the tax system means a basic income is easy to implement

One claim advanced for a basic income is that it can be administered through the tax system, making it more transparent, easier to access, and less costly to administer than other transfer approaches. In the Canadian context, Forget (2018, p. 162) argues that “the basic income could be offered at very low administrative cost because it could be delivered through the income tax system.” Further, Tedds (2017) notes that delivering benefits through the tax system, as opposed to through the existing provincial social assistance system, has additional advantages in terms of ease of access and reduced stigma from receiving benefits. However, this approach faces two key problems.

The first is that a substantial proportion of Canadians do not file taxes in a given year, and a non-trivial proportion are not found in tax-related administrative data at all, suggesting that they have never filed taxes. As noted by Robson and Schwartz (2020), approximately 13% of working-age adults in British Columbia did not file a tax return in a given year, and the rate is at least 20% for Income Assistance recipients. Green, Gutierrez et al., (2020) provide further evidence of non-filing by matching census, tax, and death records, showing that 7.4% of people in the census did not file taxes in 2015 and 3.5% were not in tax records at all. Further, Green, Gutierrez et al. (2020) show that those who do not file taxes are disproportionately the least well-off. Since those least well-off have a strong incentive to file to qualify for refundable tax credits, such as the GST/HST tax credit, the Child Opportunity Benefit, and B.C.’s climate action tax credit, raises concerns about whether that tax system as currently structured could adequately deliver a basic income to those who need it most.

The second is that to be more effective as a delivery vehicle for a basic income, the tax system needs to be more responsive to real-time fluctuations in income. Currently, the tax system operates at annual frequency, meaning there is potentially a large time lag between when a person experiences an income shock and when they would be assessed for income benefits under the tax system. Depending on timing of the income,

there can be considerable lags between when a person's income falls and when benefits intended to help make up for that fall would be delivered. In the extreme, if a person lost their job in January of, say, 2020, this would not be reported to the tax system until the spring of 2021. While a universal basic income would not suffer from issues of timing relative to negative events like job loss because the benefit does not vary with time, a basic income delivered as a refundable tax credit would. A delay in receiving the benefit then may drive the person deeper into financial insecurity: they may not qualify for provincial social assistance (a timelier option), given that they worked in the past so they may have income and assets above social assistance thresholds, and they have earnings at their new lower-paid job that may be higher than social assistance income eligibility thresholds. That is, a provincial social assistance system would have to remain intact (Forget, 2018), but people would still fall through the cracks.

To address these cracks, Segal et al. (2020) argue instead for using a delivery mechanism like that used for the Canada Emergency Response Benefit (CERB), in which people apply (either online or with help) at the time of an income drop and are paid on a “trust then verify” approach. This approach still requires people to have a valid Social Insurance Number, which is not the case for the 3% to 6.6% of people missing from the system (Green, Gutierrez et al., 2020). However, given the controversy currently unfolding regarding the use of the trust-then-verify system used by the CERB, it is not clear whether many Canadians are ready to support a permanent implementation of such a system.

### 5.2 Claims related to work

A variety of claims are made about the impact of a basic income on work. Proponents argue that it will actually increase tendencies to take paid work through lowering the “welfare wall” (Van Parijs & Vanderborght, 2017). However, as we show in Part 5, Section 4.2 (Finding Optimal Basic Income Parameters for Reducing the Poverty Rate), in order for a basic income to have higher benefits for those with the lowest income and to focus payments more on that group, its program design will mimic the welfare wall present in the Income Assistance system. This means that a means-tested basic income must still wrestle with the existence of a welfare wall—it is a trade-off that any redistribution system needs to confront. That is not to say that we are unconcerned about work disincentives caused by high effective tax rates; we are just saying that a basic income has no advantage in this respect.

On the other hand, opponents of a basic income argue that it will induce people toward less work because they can afford to work less. In Part 3, Section 5.2 (Combined Incentive Effects on Labour Supply), we show that lowering the welfare wall will induce some unemployed benefit recipients to take a job while at the same time incenting those who are subject to higher tax rates to work less. The relevant question is which effect is stronger. The literature points to relatively weak effects in general and particularly small effects for employed people working above-average hours per week. More specifically, Green (2020c) concludes:

Overall, based on estimates in various related literatures and an exercise using those estimates in conjunction with census data for B.C., a shift to a generous basic income scheme would likely have limited impacts on total hours worked in the economy. It would also likely have small effects in drawing IA recipients into work through lowering the welfare wall. At the same time, there are some groups—notably those without children—for whom predicted hours reductions are somewhat larger. Concerns for those groups could be mitigated by implementing a wage or earnings subsidy in conjunction with the basic income. But the key conclusion is that hours impacts are likely not large enough for them to be the main factor in deciding on whether to adopt a basic income.

A basic income would therefore likely have negative effects on paid work—but not to a large enough extent to justify a strong argument against a basic income.

However, this is a focus on paid work. Just because someone works less in paid work does not necessarily mean they work less overall, when non-paid work, such as caregiving and volunteering, is factored in. In terms of caregiving, Schirle (2015) found that the Universal Child Care Benefit (UCCB) resulted in lower hours of work and participation rates declined for mothers of young children, with particularly large effects for mothers with less education. However, Koebel and Schirle (2016) found that the reduction arises only for legally married mothers, while divorced mothers increased their labour force participation. In a similar vein, Riddell and Riddell (2020) show that in the Mincome experiment, married women with children reduced their mean hours of paid work by approximately 40%. They did not, however, reduce their probability of participation, so it looks as if they cut back on hours of work to spend more time at home (likely in child care). These women report an accompanying increase in life satisfaction. These results fit with married women shifting their work hours from the market to home. However, given that the single mothers increased their paid work, the

argument that a basic income supports moves to types of work that are outside the paid labour market is not universal.

Regarding volunteering, Campolieti et al. (2009) found that people who receive benefits from Canada Pension Plan disability benefits are more likely to volunteer than people with a disability who are not receiving these benefits or people receiving benefits from workers' compensation. However, since CPP disability benefits do have a limit on earnings, it may be more the case that program design results in a shift away from paid work to volunteering so as not to risk a loss of benefits. Therefore, it may not be the basic income that induces additional volunteering. Rather, the program design may result in a person wanting social inclusion being constrained to volunteering rather than paid work.

### **5.3 A basic income would improve child well-being, development, and education**

Van Parijs and Vanderborght (2017, p. 25) state, "Like other ways of making family income more secure, basic income can be expected to have a beneficial effect on children's health and education. ... By facilitating chosen part-time work and promoting a smoother conciliation of work and family life, it enables parents to devote more attention to their children when this is most needed." Jones and Stabile (2020) review existing evidence on the effects of income transfers on child outcomes. They conclude that transfer income improves cognitive, social, behavioural, and physical outcomes for children and infants. Forget (2011) found that continuation rates from Grade 11 to Grade 12 for high school students in Dauphin, Manitoba, increased substantially relative to students either in Winnipeg or in the rest of the province other than Winnipeg during the Mincome experiment, falling back to prior levels after the experiment ended.

These various positive effects on social behaviour, cognitive skills, and education from transfer income could arise through different channels: increased spending on goods related to child health and education; reduced stress in the household; and increases in parental time with children as a result of reductions in paid work. Jones et al. (2019) found that households receiving child benefits increased spending on education-related goods such as computers and on food, and decreased spending on cigarettes and alcohol. Najjarrezaparast and Pendakur (2020) examine the effect of the Canada Child Benefit on consumption patterns and find that beneficiary households dramatically increased their spending on housing.



However, Jones and Stabile (2020, p. 10) note, “It isn’t clear that one can conclude that one type of benefit income delivery system has a much larger impact on child outcomes than another,” pointing out that it may be cash transfers in general rather than a basic income in particular that generate the positive effects. Based on Jones and Stabile’s conclusions, it appears that existing evidence points to substantial returns in terms of child outcomes from providing transfers to low-income households, but there is no clear case that such transfers achieve better outcomes if they are delivered in a basic income form.

### **5.4 A basic income would increase entrepreneurship**

Advocates of a basic income, particularly those in Silicon Valley, argue that a basic income provides economic security that would make people more willing to take entrepreneurial risks. In any discussion of entrepreneurial activity it is important to separate true entrepreneurship, in the sense of pursuing a productive idea that could develop into a firm with many employees, from simply starting a business. In particular, Lester (2020) distinguishes between “necessity” self-employment, in which individuals open a small business (usually employing only themselves) because of a lack of options in paid employment, and “opportunity” self-employment, in which individuals open businesses to pursue an innovative idea, potentially leading to employment of others. Green (2020c) shows that a significant portion of necessity self-employment is more related to labour market conditions than entrepreneurship.

The division into different types of self-employment is important for discussing the role of a basic income relative to opening firms. As Lester (2020) points out, the necessity self-employed are a group that appear to need help, since they have very low incomes, but they are underserved by income support programs. In particular, by Lester’s count, only 2.1% of government spending on active labour market programs targets the self-employed (a much smaller proportion than the proportion of all workers) and they have limited access to Employment Insurance. Thus, a basic income could be seen as a way of providing support for a group of people who currently have few supports. Of course, if a basic income helps make self-employment less risky by providing income in periods of business downturns or failure, then entering self-employment will become more attractive. It is not clear whether this would be a good outcome, given the arguments that this tends to be a low-income, high-variability employment state and only rarely a path to true entrepreneurship. Indeed, it could serve to subsidize the type of precarious, unstable employment related to ride-sharing and other “disruptive” technology

employment—employment that we have argued in Part 4, Section 5.7 (Labour Market Regulation) is a source of potential concern. Lester (2020) does note, though, that acquiring extended health and work injury coverage is problematic for both the self-employed and entrepreneurs, reducing the attractiveness of opening a firm. This suggests that some types of basic services support may be at least as helpful in providing a favourable climate for opening businesses as providing a basic income.

### 5.5 A basic income will improve health

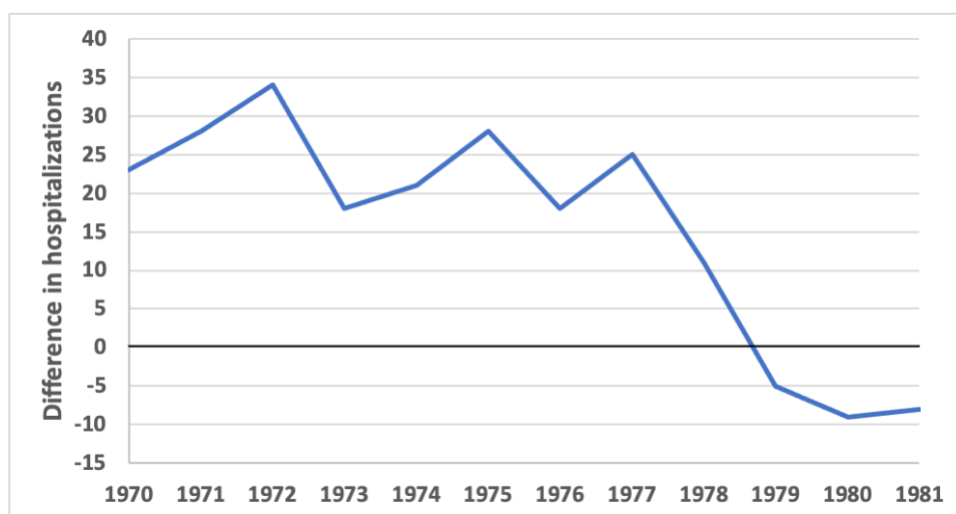
Forget (2018, p. 64) argues that improved health outcomes is a key way in which a basic income can pay for itself, arguing that it “will pay off in a need for fewer hospital beds and lower demands placed on family doctors, who too often find themselves prescribing antidepressants and anti-anxiety medications to people living with the stress of chronic poverty and economic insecurity.” The evidence cuts across demographics. Low-income mothers have higher rates of premature birth and low birth weight, which are themselves associated with worse outcomes of various kinds for those children later in life. The Finnish basic income experiment indicates that access to ongoing benefits results in an improvement in overall health. Costello et al. (2010) found ongoing income benefits resulted in decreases in any psychiatric disorder during adolescence as well as in young adulthood (i.e., to age 21) and reductions in alcohol and cannabis use. McIntyre et al. (2016) show that seniors receiving a basic income through the OAS/GIS programs results in better overall health. Milligan and Stabile (2011) found that child benefits lead to a lower emotional disorder-anxiety score, as well as significantly reducing maternal depression, albeit with little discernable impact on overall health of either the mother or the children. Jones and Stabile (2020) also find that more income tends to reduce maternal depression. Thus, there is evidence in favour of the hypothesis that having a consistent income source reduces stress and increases mental health for people in low-income households.

A second element of the claims about a basic income and health outcomes is that improved health leads to reduced use of health-care resources—that is, fewer visits to hospitals and doctors’ offices. This is sometimes asserted as one way in which a basic income can, in essence, help pay for itself. Forget (2011) argues that hospitalization dropped by 8.5% in Dauphin relative to the control group because of the Mincome basic income and that this suggests that there could be considerable savings in health spending from implementing a basic income. She found that the drop in hospitalizations

was driven by drops in accidents and injuries and in mental health diagnoses, both of which she attributes to reductions in financial stress because of the basic income.

Green (2020b), however, challenges this finding. Figure 5-2 shows the difference between the treatment (Dauphin) and the control (other jurisdictions in the area). The points for 1975, 1976, 1977 and 1978 correspond to the Mincome experiment years. Two key points follow from this figure. First, the convergence in hospitalization rates between Dauphin and the controls happens almost entirely after the experiment has ended. Second, there was already a trend toward convergence underway before Mincome. It is not clear where the downward trend comes from, but Forget (2011, p. 295) notes the installation of a “fairly new” hospital in Dauphin in the pre-Mincome years, such that “it is certainly possible that some of the comparison group may have had less convenient access to hospitals than the Dauphin residents, leading them to forgo voluntary treatment. It could be the case that the hospital led to an initial set of admissions and procedures in Dauphin that took years to clear through.

*Figure 5-2: Difference between Dauphin and controls hospitalizations*



Source: Forget (2011), Figure 2

Conversely, Green, Hicks, et al. (2020) examine the impact of benefit denial under Income Assistance and find evidence that losing transfer income does not alter medical system usage rates as reflected in the person showing up with in MSP billing data. However, it may be associated with a small increase in death rates, pointing again to the distinction between actual health and health system use. These new assessments of the data on health-care system usage point to a conclusion of no effect or even possibly increases in hospital usage when transfer income access is provided. A basic

income therefore seems to help with health, but not in a way that will provide savings in health-care costs.

### **5.6 A basic income will reduce crime rates**

Another way that a basic income is claimed to both provide direct benefits and reduce other expenditures is through reducing crime. In particular, Calnitsky and Gonalons-Pons (2018) examine crime impacts using the Mincome experiment and suggest that Mincome resulted in lower crime in Dauphin, the saturation site for the experiment. However, the decrease in crime in Dauphin began at least a year before the first Mincome payment was made, on December 1, 1974. While there was an advance information campaign about the impending payment, it seems unlikely that people would cut back on property crime because of a promised basic income to come later. Moreover, Dauphin continues to have lower property crime rates after the experiment is over. That fits more with Dauphin being on a different trend than a pure treatment effect. On the other hand, violent crime follows a pattern that fits better with a treatment effect: the rates for Dauphin and other similar-sized towns are very similar through 1974, diverge during the experiment, and then come back together afterwards. The implication is that there is some evidence of beneficial effects on violent crime of a relatively substantial size but uncertain evidence on the property crime impacts. Akee et al. (2010) used the Eastern Cherokee Band dividend to examine the impact on crime, finding a 22% reduction in self-reported criminal activity among youth from families receiving the benefits, with much of the reduction in terms of minor crimes and drug dealing. Combined with the Mincome evidence, this does point to some reduction in crime rates associated with a basic income.

### **5.7 A basic income will raise wages**

A basic income has been argued to be a tool for better wages and working conditions, especially for low-skill workers (Van Parijs & Vanderborght, 2017). There are two mechanisms through which this could occur. The first is a simple demand-and-supply channel. If a basic income induces some unskilled workers to withdraw from the labour market, then supply will be reduced and, as long as the demand for labour is not perfectly elastic, wages will rise. Rothstein (2010) used this framework to examine the impact of the Earned Income Tax Credit (EITC) in the United States on wage-setting, and found evidence that the EITC reduced wages to an extent that substantially reduced the benefits of the program, essentially transferring some of the benefit money

to employers and consumers. Based on this, he argued that a combination of the EITC with a minimum wage could be effective in making sure the benefits actually ended up with workers.

The second route through which a basic income can affect wages is its impacts on bargaining—in particular, that a basic income increases the relative bargaining strength of workers over firms due to having a credible alternative to negotiation (namely, the basic income benefit). There is considerable theoretical evidence in support of this claim, but the empirical evidence is less clear. For example, Beaudry et al. (2012) show that workers in a given industry (e.g., construction) are paid higher wages in local labour markets where there are higher-paying firms, such as steel mills, than in ones where the employment structure is dominated by lower-paying firms, such as call centres. This is because a worker's outside option includes the possibility of getting a high-paid steel job in the first firm and the worker can use that as a threat in bargaining. On the other hand, Jager et al. (2019) examine the wage impacts of a major unemployment insurance reform in Austria and find no effect on wages. Further, Green and Townsend (2009) estimated impacts on the wage distribution of changes in disability benefits across provinces and over time and found no conclusive evidence.

### **5.8 A basic income will increase human capital investment**

One key claim made in favour of a basic income is that it will provide a sound foundation for investment in human capital. We have already discussed potential impacts for children and teenagers in households that would receive basic income or other transfers. The claimed being made here is that a basic income would also lead to increases in training and education among adults. The argument is similar to the one made about increasing entrepreneurship – that people with a secure income base will be more likely to make risky investments.

Sweetman (2020) provides a thorough analysis of the Canadian and international evidence on the effectiveness of training programs and assesses the claims made for a basic income in this area. He argues that recent evidence points to training programs having long term effects that more than justify their costs. However, there is considerable heterogeneity both across types of programs and across different recipients for a given program. Sweetman (2020) argues that this heterogeneity should be tackled directly through development of targeting/referral systems. He sees these as paying off even for workers whose income would place them well above break-even levels in standard basic income schemes. Thus, his recommendation is for

governments to actively search out workers for offers of training (something that both the federal and provincial governments have already started). A basic income could complement this approach but, given its essentially passive nature, could in no way replace it.

### 5.8 Summary

Our overall conclusion is that the various claims made for a basic income receive varying amounts of support from empirical investigations completed for our panel as well as work by other researchers, but this evidence does not, overall, suggest that a generally available basic income is an intrinsically better policy approach than available alternatives to address these policy issues.

## 6. Financing a basic income

A critical issue in assessing both the feasibility and desirability of any basic income scheme is how to finance its cost. In Section 3 (Basic Income Design), we discussed the policy trade-offs inherent in a basic income and how they are affected by design details, particularly related to cost, the size of payments and the number of people who receive payments, responsiveness, and the incentives related to whether and how much to work and other choices. Decisions about how to finance the basic income combine with the basic income itself to further affect all these considerations. The combination of the basic income design details and its financing details must form the basis for assessing the feasibility and comparative merit of a basic income.

In this section we explore the financing that would be needed for some of the basic income scenarios presented in Section 4 (Simulation Results). While our mandate is not to propose specific financing provisions, it is essential to have a sense of the limits around B.C.'s fiscal and economic capacity to finance basic income costs, as well as the implications of using different potential funding sources.

We pursue this task in two main stages. First, we discuss in principle why financing and the implications of financing have to be considered jointly with the implications of any chosen basic income design in examining the trade-offs inherent in our analytical framework—especially trade-offs among adequacy, cost, and incentive effects. Second, we examine the various sources of financing. Governments always have essentially two choices for funding a new policy measure: increase taxes or reduce spending; increased debt finance has ultimate limits. Part 3, Section 3 (Fiscal Context) provides background on B.C.'s overall fiscal capacity and on the revenue sources and spending programs that could be considered to finance any new spending initiative, including a basic income.

On the revenue side, it is apparent that increasing personal income tax (PIT) revenue is one of the key options, but the way in which PIT revenue is increased has significant implications, especially when the effective tax rate associated with an income-tested basic income is combined with existing and increased PIT rates or reduced tax credits. This analysis relies on the background provided in Part 3, Section 5 (Income Testing and Effective Tax Rate Implications).



### Gross and budgetary cost

Prior to that analysis, it is important to clarify what we mean by the “cost” of a basic income. The aggregate value of the payments made to recipients under a basic income is the “gross cost” of the program. The “net cost” or “budgetary cost” of a basic income is the gross cost less any expenditure reductions that directly result from the introduction of the basic income absent any program changes. For simplicity, we assume that the basic income is overlaid on the existing income and social support system, of which Income Assistance is the largest program in terms of expenditure.

In accordance with its underlying funder-of-last-resort principle, Income Assistance has a 100% benefit reduction rate (BRR) that applies to a very broad definition of income. While the Income Assistance definition of income does not currently mention basic income benefits, including them would be consistent with that principle. A universal basic income (UBI) with a monthly guaranteed income (G) that exceeds the Income Assistance break-even (BE) point of \$1,160 monthly for an individual<sup>87</sup> would eliminate Temporary Assistance cash payments in that case and, depending on the level of G, would reduce or eliminate Disability Assistance spending. A negative income tax (NIT) basic income that responds to monthly changes in income would similarly reduce or eliminate Income Assistance benefit payments, depending on G and BRR. For a refundable tax credit (RTC) basic income, the Temporary Assistance spending reduction would be more complicated because the RTC is fixed a year at a time, while Income Assistance responds to monthly changes in income. Individuals currently receiving either Temporary Assistance or Disability Assistance would likely have their eligibility terminated by an RTC or their benefits reduced, depending on the G and BRR of the RTC. On the other hand, those who receive few or no RTC benefits because they are near or above the RTC's BE point, and whose income falls significantly, could begin to meet the Income Assistance income eligibility requirements, at least until the RTC benefit amount is reassessed in the next year or the year after.

In the simulations described in Section 4, because of this complexity and a lack of data about people currently receiving Income Assistance in the SPSPD/M database used for simulations, we have estimated only the gross costs of the simulated basic incomes.

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<sup>87</sup> The Temporary Assistance BE for a single person is equal to the monthly benefit amount plus the income exemption, which is currently \$385 support plus \$375 shelter plus \$400 earnings exemption, for a total of \$1,160. Note that the temporary COVID-19 top-up of \$300 per month has not been included, and the earnings exemption is slated to increase to \$500 in 2021.



Clearly the budgetary cost will be less than the estimated gross cost regardless of the type of basic income implemented, but the amount of the difference will depend on the parameters chosen plus any discretionary program savings undertaken along with the basic income.

### 6.1 Implications of financing for policy trade-offs

It is helpful to conceptualize the financing choices for a basic income of any form—whether a UBI or an income-tested variant—at a broad level. We have already discussed why, for any given guarantee level, a basic income’s gross cost decreases as BRR increases—as income testing gets stricter.

One can think of applying a positive BRR as a way of “internally” reducing the cost of the program compared with a UBI that is not income-tested at all. Increasing the BRR of an income-tested basic income further reduces its budgetary cost. Thus, the need for financing from “external” sources falls as the BRR increases, other parameters being equal.

Our simulation results confirm the strength of this relationship, which Table 5-6 shows for a basic income with a guarantee of \$10,000, income testing done at the individual level, and benefits scaled by  $\sqrt{2}$ . This is the most efficient combination of parameters in terms of poverty reduction, as noted in Section 4.2 (Finding Optimal Basic Income Parameters for Reducing the Poverty Rate).

*Table 5-6: Income testing and gross cost of a basic income*

Type	UBI	RTC				
BRR	0%	15%	30%	50%	75%	100%
Gross cost (\$ billions)	25.7	11.6	6.6	4.3	3.2	2.7

Note: G = \$10,000, individual income test, and square root scaling

Source: Simulations performed for the panel

The trade-off between gross cost and the disincentive to earn more associated with the BRR is discussed in Part 3, Section 5 (Income Testing and Effective Tax Rate Implications). In summary, increasing BRR reduces the budgetary cost by both reducing

the number of recipients (those below the break-even level) and reducing the payments received by recipients with other income. But increasing the BRR increases distortions that apply to recipients because the BRR is effectively a tax on additional earnings, a disincentive to earn more, and it combines with existing effective income tax rates to create an overall disincentive effect. Higher BRRs constrain the autonomy of recipients in many respects, such as reducing the returns to accepting a better job, undertaking further education, upgrading skills, or moving to a higher-wage locale.

Overlaid on that trade-off is the effect of financing the budgetary cost. Every method of funding the cost of a basic income has its own inherent set of economic distortions that apply to whatever group of taxpayers or spending program beneficiaries bear the cost burden. It is important that the overall level of distortion be given due consideration, because distortions inherent in the basic income combine not only with the distortions inherent in the existing fiscal system but also with the additional distortions caused by changes to the fiscal system needed to finance the basic income. Together these affect labour supply through effective tax rates along with associated economic efficiency costs and distributional impacts.

This way of conceptualizing the costs of a basic income, as a continuum based on the degree of income testing, stresses the point that the behavioural distortions—the disincentives and associated efficiency costs—cannot be avoided. If the budgetary cost is financed by increasing personal income taxes, the total distortions are those due to the BRR plus existing income tax rates plus the incremental tax rates associated with financing. If the cost is financed by increasing other taxes or reducing expenditure programs, different types of distortions will also arise for various types of activities or choices.

Advocates of a UBI claim that because it is not income-tested, the scheme does not itself impose disincentives to work while eliminating the extreme disincentives for Income Assistance beneficiaries associated with a 100% clawback of earned income. This ignores a key fact: a UBI imposes higher fiscal costs than a comparable income-tested basic income, and funding that cost will inevitably impose distortions on taxpayers that increase with the cost. In other words, when distortions imposed by the basic income are combined with distortions caused by its financing, all basic income designs have significant disincentive and distortionary effects. While the specifics depend on the details of both the basic income and its financing, this conclusion is unavoidable for programs that redistribute incomes.

The degree of income testing for a basic income combined with financing also has implications for the distribution of income. The financing could, in principle, be designed to have any desired impact on income distribution, such as putting more of the burden on low-income, middle-income, or high-income taxpayers. For income-tested basic incomes, the BRR itself has a distributional effect by determining how quickly net benefits decline with increasing income for everyone under the BE income. Again, the way the budgetary cost is financed affects the overall distributional effect. But the distributional effects of the financing are overlaid on a basic income that itself flattens the income distribution.

### **Eliminating tax credits to finance a basic income**

An alternative PIT approach to financing basic income costs through income tax rate increases is to eliminate the personal credit amount and some or all non-refundable and refundable tax credits, effectively depriving taxpayers of the reductions in tax payable resulting from tax credits in exchange for the basic income benefits. For those at low and moderate incomes, basic income benefits would more than compensate for the loss of tax credits. This financing approach has been utilized in whole or in part by almost every Canadian basic income proposal (summarized in Appendix 5-B), so it warrants scrutiny.

The non-refundable tax credit with the largest potential to provide savings that would offset the budgetary cost of a basic income is the “personal amount.” It effectively creates an income tax exemption equal to the personal amount through a non-refundable tax credit that applies to every tax filer, equal to the personal amount times the tax rate for the lowest income bracket. The tax increase for taxpayers that would result from eliminating the personal amount varies widely across the jurisdictions, depending on the level of the personal amount and the tax rate for the lowest tax bracket, as shown in Table 5-7. It would be about \$2,300 in Quebec, \$2,000 in Alberta, \$1,000 in Manitoba, and about \$550 in British Columbia and Ontario. In addition, every taxable filer would lose about \$2,000 if the federal basic amount were eliminated to finance a national basic income. As indicated in Appendix 5-B, a G of \$6,400 that could be funded by eliminating the personal amount in Alberta (and several smaller provincial tax credits) would be reduced to only about \$2,000 in B.C. because of this differential.

*Table 5-7: Revenue increase per taxpayer from eliminating the personal amount by jurisdiction, 2020<sup>88</sup>*

<b>Jurisdiction</b>	<b>Personal amount</b>	<b>Tax rate (%)</b>	<b>Revenue increase per taxable filer</b>
Federal	\$13,229	15.00	\$1,984
Quebec	\$15,532	15.00	\$2,330
Alberta	\$19,369	10.00	\$1,937
Manitoba	\$9,838	10.80	\$1,063
British Columbia	\$10,949	5.06	\$554
Ontario	\$10,783	5.05	\$545

Source: [www.taxtips.ca](http://www.taxtips.ca)

Elimination of tax credits as a financing mechanism has deficiencies beyond its limited capacity to fund a prospective B.C. basic income program, as elaborated by Kesselman (2018). Proponents of the method sometimes assert that the non-refundable personal amount is “regressive,” so that eliminating it would improve distributional effects of the tax system. However, as a credit with a lump-sum value per taxable filer, the personal amount is actually progressive relative to income except for filers with income so low that they are non-taxable. Simply making the existing personal amount refundable would address the issue for those non-taxable individuals.

Removing the personal amount from the tax system would in fact be one of the most regressive methods of financing a basic income, since it is equivalent to a lump-sum tax increase—imposing the smallest proportionate tax increases on those with the highest incomes. Some proposals for financing a basic income recognize this point by

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<sup>88</sup> Revenue increase calculated as product of personal amount and the tax rate for the lowest income bracket. The calculated amounts apply to those currently paying PIT because their income exceeds the personal amount. For tax filers who currently do not pay tax but would become taxable if the personal amount were eliminated, the tax increase is only a portion of the tabulated figures.

additionally including major expansions of the income tax base affecting high earners and/or hikes in the upper-bracket tax rates. Eliminating the personal amount would also be less transparent for taxpayers than a more straightforward increase in income tax rates; either approach would increase tax liabilities for a wide swath of taxpayers.

A final deficiency of this method of financing a basic income is that it removes the zero-tax bracket for initial earnings, so that some individuals might be deterred from entering or returning to the labour force. As suggested in Part 3, Section 5.2 (Combined Incentive Effects on Labour Supply), it is likely that the disincentive to participate in work at all is stronger than the disincentive for those that are working to work less. If an income-tested basic income were implemented and the personal amount removed, even the first dollar of earnings would then be subject to both the income tax at the rate for the lowest income bracket and the basic income's BRR, creating a significant disincentive to enter the labour force. This impact would be a particular concern for the non-working spouse in a couple with income below the BE. The interaction between BRR and tax rates is discussed in greater detail in the next section.

B.C. also offers several additional refundable and non-refundable tax credits that could be eliminated as funding mechanisms. Table 5-8 provides the list of credits and the revenue cost of each of the credits in 2020.

Like the personal amount, all of these tax credits have lower costs and thus less capacity to fund a basic income through their elimination than in provinces with higher tax rates for the lowest tax bracket. The personal amount has the highest cost. The spousal and eligible dependant amount plays a very similar role to the personal amount, and if the personal amount were eliminated it would make sense to eliminate the other amount as well. Many of the other credits serve specific purposes that would make their elimination less appropriate—for example, those related to children and seniors, who would not likely benefit from a provincial basic income as they are already covered by federal targeted basic incomes, and those intended to encourage charitable donations and post-secondary education and training. Eliminating provincial tax credits for employee contributions to the Canada Pension Plan and Employment Insurance also would not be justified so long as the province continues to tax the benefits received from those programs.

*Table 5-8: Select B.C. PIT credit tax expenditures<sup>89</sup>*

<b>PIT credit</b>	<b>Cost (\$ millions)</b>
<b>Non-refundable tax credits</b>	
Personal amount	1,600
Charitable donations	291
Canada Pension Plan contribution	207
Spousal and eligible dependant	88
Age	87
Medical expense	76
Employment Insurance premium	63
Tuition and education	62
Disability	37
Pension	30
<b>Refundable tax credits</b>	
B.C. Child Opportunity Benefit	400
Climate action	302
Sales tax	50
Small business venture capital	30

Source: Government of British Columbia, 2020, Tables A1.1.1 and A1.2.1, except the personal amount, which was simulated using SPSP/M.

<sup>89</sup> The cost of tax credits cannot be added together to calculate an aggregate cost because the credits may interact, and in the absence of credits taxpayers may make different choices. The B.C. Child Opportunity Benefit tax credit took effect on October 1, 2020; the amount shown is the full year's estimated cost.

## 6.2 Incentive and efficiency effects of financing provisions

One of our main points about a basic income is that it is not enough to focus on the basic income itself—it must be put into the broader context of how it would combine and interact with the existing public administrative structure. We have discussed why policy trade-offs associated with basic income benefits must be addressed in this broader context to be fully understood. The same applies to the financing of a basic income. Here we consider the combined incentive effects and the associated efficiency costs of the basic income along with existing tax rates and the increased tax rates that would be needed to finance the program.

Tax rates affect work incentives. Incentives related to work go well beyond just the decision to begin working, or the decision to work more or less. They also include when to work (shifts), job search, occupation, industry, employer, migration, self-employment, off-the-books work, illegal activities, wages versus fringe benefits, on-the-job training, and formal education and skills upgrading. Tax rates also affect income tax compliance, honest self-reporting of income, and many aspects of tax planning, tax avoidance, and evasion behaviour. In addition to work incentives, tax rates can affect other life decisions, especially family formation and fragmentation, marriage, and childbearing. Tax rates can create incentives on the employer side, too, but we ignore those for our current purposes.

Part 3, Section 5 (Income Testing and Effective Tax Rate Implications) addresses two effective tax rate measures and how they relate to work incentives: the participation tax rate (PTR) and the marginal effective tax rate (METR). The PTR refers to the total loss through higher taxes and lower benefits from choosing to work at given levels of income compared with not working. In contrast, the METR measures the loss from higher taxes and lower benefits when earning one more dollar of income, beginning at some initial level of income. People directly observe the PTR when they start to work, but their perception of METR also affects work-related decisions: the higher METR, the less take-home pay one gets for working more or moving to a higher-paying job. As discussed in detail in Part 3, PTR is a measure of the tax effect associated with the participation decision, for those not working, as to whether to accept a job at a given level of income, known as the extensive margin. METR is a measure of the effect of taxes and benefit programs on decisions by those participating in the labour force that would change their income, whether by changing the number of hours worked or changing jobs, known as the intensive margin. Part 3 also discusses the estimates of the size of these effects (elasticities) and how they translate into labour supply changes.

## Part 5: Basic Income

The estimated elasticities are small but can make a difference when the changes in METRs and PTRs are large. As the Part 3 discussion also points out, design details of a program beyond effective tax rates can also have a significant impact on work-related incentives.

Both the METR and PTR faced by an individual are amalgams of the effects of many tax and benefit provisions. First is the tax rate structure, where the tax rate applied to taxable income depends on the individual's tax bracket, which increases with higher income levels. Second is a variety of premium rates imposed for social insurance programs such as Employment Insurance and the Canada Pension Plan. Third are the BRRs embedded in many federal and provincial tax credit programs. Some individuals are also affected by the BRRs applied in income-tested benefit programs, such as housing and child-care subsidies, as discussed in Part 4. Finally, the implementation of a basic income would add its BRR to the PTR and METR.

Figure 5-3 includes three panels that use the approach and data set out by Milligan (2020) to show the METR, PTR, and take-home income for three different situations:

- a single adult with no children where there are no cash-transfer benefits (blue line)
- the same person eligible to receive Temporary Assistance benefits (orange line)
- the same person receiving an RTC basic income with  $G = \$18,000$ ,  $BRR = 50\%$ , and thus  $BE = \$36,000$  (purple line)<sup>90</sup>

The basic income example was chosen with reference to the simulation results as a relatively efficient example in terms of effect on the poverty rate. This example would have a cost of \$8.8 billion and would reduce the poverty rate from 8.6% to 2.7%. As discussed in Section 4.2 (Finding Optimal Basic Income Parameters for Reducing the Poverty Rate), the most efficient combinations require high  $G$  and  $BRR$  values, but taking the poverty rate below 2% becomes increasingly expensive. This combination was chosen because it has a relatively low  $BRR$  among those that reduce the poverty rate to the 2% range. Other combinations have a higher  $G$  and  $BRR$ .

Figure 5-3 gives rise to two major observations. The first is the big orange welfare wall, the high levels of METR and PTR at and above the \$400 per month earned income

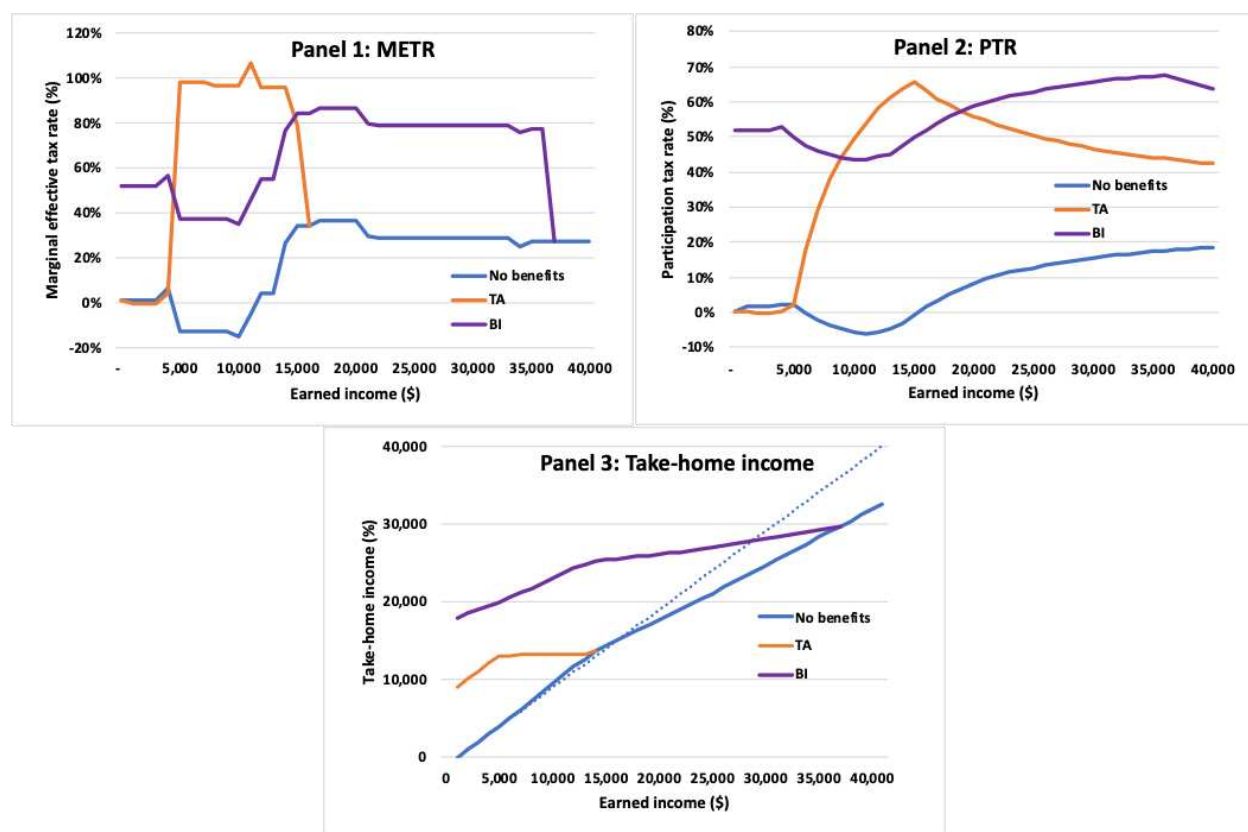
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<sup>90</sup> For a couple with a  $\sqrt{2}$  scale factor, the  $BE = \$53,740$ .



exemption in Temporary Assistance. METRs of 100% or so and PTRs of up to almost 70% result from the 100% BRR associated with Income Assistance. It also shows up in the flat horizontal section of the orange line in Panel 3, where the 100% BRR means that increasing earnings in that narrow range does not increase take-home income. The second is that a basic income with a 50% BRR generates METR and PTR rates that are comparable to those created by Income Assistance. The METR is lower for the basic income example than for Temporary Assistance over the zero–\$15,000 income range, where income tax is not payable because of the basic personal amount and refundable tax credits create negative effective tax rates. However, just at the Temporary Assistance BE point, where METR falls back to the “no benefits” rate, the basic income METR, which is the no-benefit amount plus 50%, jumps up to the 80% level, where it remains up to its BE point. The basic income PTR also mirrors the no-benefits PTR, up to the BE point, where it begins to drop. In other words, a basic income with a 50% BRR has greater disincentives caused by effective tax rates than Temporary Assistance once tax becomes payable. Panel 3 shows that, as the slope of the purple line above about \$15,000 income is a flatter slope than the no-benefits line.

*Figure 5-3: Comparison of METR, PTR, and take-home income*



All of that does not yet include the disincentives associated with whatever financing mechanism is chosen to fund the basic income's budgetary cost. The example in the graph would have a budgetary cost of about \$8.8 billion. If the entire cost were financed by increasing PIT rates, that would necessitate almost a doubling of the current provincial PIT, with large increases in marginal tax rates at most income levels. Unless the lowest tax bracket (lowest provincial rate is currently 5.1%) were excluded from the tax increase, the METR and PTR shown in the figure would increase. Assuming provincial PIT rates were doubled at every income level, that would increase the METR and PTR in the taxable income range by about 5 percentage points, a small but material increase. As discussed in Part 3, Section 3 (Fiscal Context), almost doubling PIT revenues would significantly affect B.C.'s tax competitiveness with the rest of Canada and would challenge the public trust and acceptability needed to support such a policy.

A less ambitious basic income, with a guarantee of \$10,000 and a BRR of 25%, would have about the same break-even income levels as the example shown in Figure 5-3 (\$40,000 for singles, \$58,240 for couples) and a reduced budgetary cost of \$5.3 billion, and the poverty rate would be reduced to 4.8%. But even that version of a basic income would mean increasing tax rates by 50% if funded by an across-the-board PIT rate increase—also a significant tax increase that would be felt by all taxpayers and would add a material amount to the METR and PTR associated with the basic income. Thus, regardless of the case, the combined disincentive effects associated with effective tax rates, together with public trust and acceptability impacts, would be substantial. Significant increases in tax rates would also increase incentives to avoid or evade taxes and are unlikely to raise an amount of revenue proportional to the increase in tax rates.

Similarly, the discussion in Part 3 makes it clear that there are challenges associated with raising significant amounts of revenue by increasing the rates and bases of existing taxation sources, although it is clearly possible to achieve significant revenue increases through a combination of sources if needed. However, while that could be used to fund a significant income-tested basic income, it is clear that even a modest UBI would be very difficult to accommodate fiscally and would have important economic implications.

### **6.3 Financing a basic income with program changes or elimination**

The alternative to using taxation to fund a basic income is to reduce program spending. Part 4 of the report, which focuses on the existing system, includes a detailed discussion of the whole range of federal and provincial income and social support programs.

## Part 5: Basic Income

For the purpose of identifying program costs that could be reallocated to fund a basic income, our discussion here focuses on B.C. programs, as federal programs are beyond the province's control. In total, B.C. spent about \$12 billion on 120 programs in 2019/20, as reported in Part 4. Table 5-9 summarizes the costs of the major income and social support programs.

*Table 5-9: B.C. Income and social support program costs, 2019*

<b>Income and social support program</b>	<b><i>Budget 2019</i> (\$ millions)</b>
Income Assistance cash transfers <sup>91</sup>	\$2,094
Tax expenditures <sup>92</sup>	\$3,596
Personal amount	\$1,600
Home owner grant	\$817
Child Opportunity Benefit	\$400
Climate action tax credit	\$255
Other	\$282
Low-income/Income-tested	\$3,313
PharmaCare	\$1,405
Housing programs	\$1,060
Income Assistance supplements	\$572
Other	\$276
Seniors, children, and families	\$696

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<sup>91</sup> "Income Assistance cash transfers" includes Disability Assistance and Temporary Assistance payments.

<sup>92</sup> Tax expenditures cannot, strictly speaking, be aggregated because of interactions among them, but a total is provided here for illustrative purposes. The personal amount is not identified as a tax expenditure in budget documentation but is discussed in Section 5.1 (Implications of financing for policy trade-offs) as a potential source of basic income funding. The Child Opportunity Benefit took effect on October 1, 2020; the amount shown is the estimated cost for the full year.

<b>Income and social support program</b>	<b><i>Budget 2019</i> (\$ millions)</b>
Various child, youth and family programs	\$460
Other	\$236
People with disabilities, except Disability Assistance	\$1,144
Community Living BC	\$1,065
Other	\$89
WorkSafeBC	\$1,119
<b>Grant total</b>	<b>\$11,997</b>

Source: Government of British Columbia, 2020, Tables A1.1.1 and A1.2.1, except the personal amount, which was simulated using SPSPD/M.

The full set of income and social support programs identified in Part 4 includes a range of cash-transfer programs and basic service and other in-kind benefit programs. Table 5-9 categorizes the programs in six groups:

- Income Assistance cash transfers
- cash transfers provided through the tax system (tax expenditures)
- basic services focused on those with low incomes
- basic services for seniors, children, and families
- basic services for those with disabilities
- basic services for workers and employers (WorkSafeBC)

The largest single program area is Income Assistance, which provides cash-transfers in the form of Temporary Assistance and Disability Assistance. As discussed earlier, Income Assistance cash transfers are likely to be reduced as a consequence of introducing a basic income, but the amount of that offset to the gross cost of a basic income depends on the type of basic income implemented and its design details, as well as how Income Assistance program provisions are adjusted in response to the basic income. Currently, Income Assistance cash transfers account for about \$2.1

billion and, given the complexity of the response together with a lack of data, we were unable to estimate the impact of a basic income on that cost.

Tax expenditures are programs, such as tax credits, that are delivered through the tax system and are reported by government as their estimated impact on net revenue. Certain tax expenditure programs are discussed in Section 5.2 (Implications of Financing for Policy Trade-Offs) as potential funding sources for a basic income, such as refundable and non-refundable PIT credits. Tax credit programs account for about \$3.4 billion in B.C., although this estimate does not take interactions among the credits into account.

In addition to cash transfers, Income Assistance also provides an extensive array of supplements that are generally available only to those receiving Income Assistance.<sup>93</sup> These are in-kind benefits, often payments for goods and services required by specific recipients, and available only if the recipient meets specific additional eligibility criteria. These supplements would still be available to those who qualify for Income Assistance if a basic income were implemented. As discussed in Part 4, especially if Income Assistance recipients were reduced substantially by a basic income, consideration could be given to expanding eligibility for supplements, especially those associated with extended health-care coverage, which represent a cost of about \$0.6 billion. A wide variety of income and social support programs delivered by several ministries are directed at low-income people or are income-tested. This category has 24 programs, including the Income Assistance supplements, with a total cost of \$3.3 billion.

Several programs target two groups that we specifically excluded from the basic income alternatives that were included in our simulations because they are already targeted by federal basic income programs: children and seniors. Those programs have a total cost to B.C. of about \$0.7 billion.

Another group specifically targeted by several programs is people with disabilities. In addition to Disability Assistance cash transfers and supplements that are already accounted for as part of Income Assistance, disability-specific programs include Community Living BC and several housing programs specifically for those with disabilities, with a total cost of about \$1.1 billion.

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<sup>93</sup> The treatment of current Income Assistance supplemental benefits under a basic income or a reformed system to expand access for a wider group of the low-income population is assessed in Kesselman and Mendelson (2020).

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Also included in our definition of income and social support programs is the support provided by WorkSafeBC to injured workers, a basic service that benefits both workers and employers, with a total cost of about \$1.1 billion.

Together these program categories account for the full \$12 billion of B.C.'s spending on income and social support programs discussed in Part 4.

For some advocates, the basic income concept, founded on freedom of choice and personal autonomy (and responsibility) associated with unconditional cash transfers, is a better option for meeting basic needs than conditional in-kind benefit and basic service programs that meet specific basic needs when they arise. Following that logic, many of these programs would be candidates for elimination if a basic income were introduced, creating savings that would offset the budgetary cost of the basic income.

Other basic income advocates take a less libertarian approach, recognizing that some basic services are a needed adjunct to a basic income, providing among other things protection against low-likelihood, high-cost occurrences that would otherwise be catastrophic to those with relatively low incomes.

In our view, from the justice-based perspective that underlies our analytical framework, both basic services and cash transfers are needed to ensure broad coverage of basic needs—in part because of the importance we place on balancing autonomy with the other characteristics we have identified, which we believe leads to the conclusion that basic service and cash transfers are both required. In fact, we believe that true autonomy requires that certain services be available to provide supports needed to prevent adverse events from limiting people's actual freedom of choice, despite receiving cash payments on a regular basis.

As a result, it is also our view that this group of programs offers little scope, aside from the home owner grant, for funding a material portion of the cost of a basic income by reform measures, reduction, or elimination. As our detailed analysis of the current system in Part 4 makes clear, there is scope for improvement across the system, but funding a basic income by eliminating elements of the current system would not be consistent with our justice goal.

Taking the programs one group at a time, the reasons why elimination of programs as a method of funding a basic income is not advisable in our opinion are as follows:

- Tax expenditures would need to be integrated into the basic income design because of the combined incentive impacts. The one exception on the list of tax

expenditures is the home owner grant, which, as discussed in Part 4, accounts for over \$800 million in spending that, although popular, fulfills no clear public policy objective.

- Income Assistance cash-transfer costs would be reduced by a basic income depending on the type and design specifications of the program. A UBI would be prohibitively expensive, it is unlikely that a responsive NIT could be implemented by the province, and an RTC is not sufficiently responsive to address the needs of people with quickly changing circumstances. All of this implies that Temporary Assistance would have to be retained in some form to meet those changing needs. Indeed, at least one proposal for a Canadian RTC basic income would not eliminate provincial IA benefits (Stevens & Simpson, 2017). On account of the additional costs faced by those with disabilities, some programs of targeted cash and in-kind benefits would still be required, even if a general basic income were instituted.
- Basic services for low-income people would continue to be needed to protect against adverse events and support true autonomy even if a basic income were implemented. It is telling that almost no proposals for a Canadian basic income have identified significant savings that could be achieved by retrenchment of basic service or in-kind benefit programs.
- It would not be appropriate to eliminate income and social support programs that target children and seniors, as these would not be replaced by a basic income targeting working-age adults.
- The only basic service program targeting people with disabilities is Community Living BC. The beneficiaries of this program depend on this program because of the level and type of care that they require. It obviously would not be just or publicly acceptable to eliminate or reduce funding for this program in particular, or the other basic service programs targeting those with disabilities.
- WorkSafeBC is an independent authority that provides services to injured workers, funded by employers through premiums, specifically for the purpose of making and keeping workplaces safe and enabling those injured to be compensated without involving the courts, as is done in every Canadian jurisdiction. Eliminating this program would result in no savings, as it is fully premium funded, and the alternative would be unthinkable expensive and disruptive to society.

Although almost \$12 billion is spent on income and social support programs in B.C., in our opinion there is little scope to fund a basic income by eliminating some of these programs, without doing significant harm. We analyzed these programs in detail in Part 4, showing how this set of programs could be improved. The point here, though, is that a basic income only provides cash, which makes it simple, but there are many basic needs that cannot be met without additional, responsive resources and services in some form.

### 6.4 Summary

This section has expanded the sole focus on basic income in the earlier sections of Part 5, where we showed that specific design choices can make a big difference in terms of trade-offs among basic income principles. Indeed, different designs will have very different costs, economic incentives, and consistency with a broader set of attributes and characteristics, particularly responsiveness.

We've shown that focusing just on a basic income itself is not enough. Every basic income with a high enough guarantee to significantly reduce poverty will have a substantial budgetary cost. That cost can be covered only by either increasing revenues or by reducing spending. These cost considerations raise questions about B.C.'s fiscal capacity, potential funding sources, and how utilizing those funding sources would interact and combine with a basic income, especially in terms of incentives.

When combined with the need to finance a basic income, it becomes clear that every basic income design will create significant economic distortions, including disincentives to work. Claims made by basic income advocates, particularly those who favour a UBI, that a basic income does not distort decisions about work and other major processes in the economy ignore the fact that financing the cost will inevitably create those distortions. UBIs are several times as expensive as comparable income-tested basic incomes with the same effectiveness in terms of poverty reduction. It is therefore impossible to avoid the incentive effects. Distortions will arise whether as a result of financing a UBI with few intrinsic incentive effects, or of the incentives inherent in an income-tested basic income that match or exceed those created by Income Assistance. Lowering distortions for beneficiaries by reducing the BRR (ultimately to zero for a UBI) inevitably means increasing distortions for taxpayers as the cost rises.



## 7. Should B.C. pilot a basic income?

Our terms of reference specifically ask us to assess whether any aspects of a basic income could usefully be explored through a B.C. pilot program. Many such pilot projects and experiments<sup>94</sup> of a basic income have been undertaken since the late 1960s, and the number of evaluations and critiques of them is even larger.<sup>95</sup> The programs have varied in their benefit parameters, their target groups and locales, their institutional and market settings, and the quality of their experimental design and operational implementation. We have reviewed the results of previous pilots and experiments and considered this issue in the context of our analysis of basic income, presented in this part of the report. We have concluded that a basic income pilot would not be a worthwhile undertaking for B.C. for several reasons.

First, we do not believe that basic income pilots provide information that accurately reveals the effects that a permanent, ongoing, fully implemented basic income would have on people's behaviour. By definition, basic income pilot programs are limited in duration and scope to those affected, which means that people will not respond in the same way as they would to a permanent basic income available to all eligible persons rather than a sample. Well-established habits and norms can mutate over longer periods in response to a major change in benefit programs with the associated incentive effects, induced institutional changes, and social network effects (Lindbeck, 1995a, 1995b). When all lower income workers in a community are subject to a basic income over a generation rather than a subsample for a few years, changes in norms, habits, and tastes are more likely to emerge. Employers might shift workplace hours and arrangements in response to changing worker preferences. Or youth maturing into adulthood under a permanent program might choose different lifetime paths in education, occupation, work patterns, and lifestyles.

Second, on a related point, as we have discussed, a basic income would have complicated interactions with other elements of the income and social support system that would be important for the ultimate impacts of an entire system that included a

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<sup>94</sup> The terms "pilot" and "experiment" are sometimes used interchangeably with respect to basic income projects. A pilot does not necessarily employ the careful experimental design of a random control trial study, but we also use the terms together here and assume that the mandate to explore a "pilot" for B.C. was not meant to be simply a demonstration project.

<sup>95</sup> For a review of past and current basic income pilots and experiments and their evaluation, see Simpson (2020). The pitfalls and problems of such experimentation have been identified even from the first project; see Rossi and Lyall (1977).

basic income. But it would not be feasible to integrate fully a temporary and limited basic income, making changes in other systems to accommodate the presence of a basic income. That implies that a pilot would be of limited usefulness in providing evidence on the ultimate impacts of including a basic income in British Columbia's actual support system.

Third, and equally concerning, as we have emphasized a basic income must be considered in the context of how it is financed and how the changes made to taxes and programs to cover its costs combine with the incentive effects of the basic income itself. Impacts of the financing aspects of a major basic income could exceed the incentive and economic effects posed by the benefits alone. Some of the past basic income pilots secured explicit provision for tax exemption on program benefits, which is totally unrealistic for a real-world fully implemented basic income. It is not practical to operate a temporary pilot program that fully includes basic income financing mechanisms, and the pilot projects to date have eschewed all considerations of program financing.

Fourth, many past basic income pilots have been complicated or disrupted by various changes during their limited course, and we have no assurance that any other pilot would not suffer such problems. The first carefully designed basic income pilot, the New Jersey experiment in the United States in the 1960s, was tainted by unanticipated changes in the state's welfare system that interacted with the pilot. The Mincome basic income in Manitoba in the 1970s was affected by a premature termination of funding that prevented systematic evaluation. Most recently, the Ontario basic income pilot project was terminated early on account of the priorities of a change in provincial administration; this also raised ethical issues for program participants who had been expecting benefits to continue longer.

There are other ethical considerations as well. Basic income pilots often set up winners and losers based on their experimental designs. Pilot administrators have to determine who will be in the test group and who will be in the control group, leading many to continue to live in severe poverty and in very dangerous situations while others receive significant cash transfers. These situations carry more than just theoretical implications.

While insights might be gained from a temporary pilot that only partially captures the full range of changes from implementing a permanent basic income, many pilot programs are available for study. We have rich data from past experiments, as well as relevant empirical information from other studies, and we cannot justify the cost and disruption of a pilot program simply to add to that database. The data from past pilots and other sources has already provided us with evidence about the significant implications of a

basic income, such as its impact on labour supply albeit short run, but not the related impact of financing. Previous basic income pilots have failed to result in actual programs, and many have been either terminated before their conclusion or contaminated by concurrent policy or economic changes. In other words, we found sufficient information about basic income effects from previous pilots to be confident in our decision that B.C. should not undertake a basic income pilot. We also conclude that B.C. should not pursue a widely applicable basic income but rather emphasize some key principles of basic income within a systematically reformed provincial income and social support system.

Nevertheless, should the government decide to pursue a general basic income, we would advise that it proceed to design and implement a permanent program without the intermediate step of a pilot project. If that is done, the program should be designed to be regularly and rigorously evaluated within the context of a clear objective and an analytical framework, such as the one we have proposed. That means better collection and more integrated availability of data than we were able to access as part of our research program. The result would be the ability to adjust the basic income design over time to make it as effective as possible as circumstances change.

## 8. Conclusion

Our first task, as set out in our terms of reference, is to “consider the viability of a basic income in B.C. and support the simulation of various basic income models in B.C. to identify impacts and financial implications.”

Our summary conclusion after completing this task is that we do not support the introduction of a widely applicable basic income as the core of B.C.’s income and social support system. Despite this conclusion, Part 4 raises issues with the current system that should be addressed with a suite of reforms, and targeted basic income programs could be utilized as elements of such a reform package. System reforms should be guided by the objective of moving B.C. toward being a more just society, balancing the characteristics that make up our analytical framework. Doing so will have the effect of, among other things, increasing the emphasis in the current system on important characteristics aligned with basic income principles, like simplicity, respect, economic stability, and social inclusion, but not to the exclusion of the rest of our analytical framework.

The following observations and insights arise from our examination of a basic income in Part 5 and support the foregoing conclusion:

1. The principles underlying a basic income are important and align well with the justice-based objective and framework that form the foundation for this report. But too often basic income proposals do not address important considerations related to responsiveness to personal change, supporting transitions, and maintaining public trust. The difference to us is between a basic income focus on personal dignity, respect, and freedom of choice, and a broader balance of self- and social respect that acknowledges the need for a greater public role to move toward a more just society.
2. A basic income is not a single, simple, easily implemented program but rather an extensive set of design parameters that require important trade-offs to be made in the design and implementation of a practical basic income. These trade-offs inevitably lead to the introduction of at least some of the complexity and stigma that a basic income was originally conceived to avoid.
3. As a practical consequence of our second point, the type of basic income epitomized by basic income principles, a universal basic income, is shown by simulations and common sense to be impractical as a use of taxpayer funds, because it is much less

effective than an income-tested alternative at delivering resources to those in need for a given budget constraint, a constant for governments.

4. The income-tested alternative formats are primarily distinguished by their responsiveness to changes in personal circumstances. The negative income tax form of a basic income can in principle respond rapidly, but the existing income information and benefit delivery infrastructure in Canada, the tax system operated by the Canada Revenue Agency, cannot in practice deliver such responsiveness. We also believe that it is impractical for a province to build such infrastructure on its own. Therefore, in the short term, the only feasible alternative is a refundable tax credit approach, which would inevitably deliver resources to some who do not meet the needs test at that moment, while leaving others who are in genuine need without resources.
5. To focus resources through an income-tested basic income on those most in need and use taxpayer resources as efficiently as possible, a relatively high benefit reduction rate (BRR) would be needed. This is a logical extension of the observation that a universal basic income with a zero BRR is not practical. But the need for a high BRR belies the claim that a basic income avoids the disincentives associated with high BRR rates in traditional income support programs generally and Income Assistance in particular. Especially when the distortions associated with funding a basic income are included in the analysis, practical basic income designs have little or no advantage over welfare programs in this respect.
6. Basic income cash transfers are, in our opinion, not desirable or practical as a full substitute for the basic services part of the income and social support system. Our justice-based analysis, rather than a freedom of personal choice-based approach, means that a balanced system is needed in terms of both the design of individual programs and the program mix, with both cash transfers and effective basic services required.
7. A basic income would not be the panacea that some advocates believe, with many of the claims about the social issues that a basic income would address unlikely to be true in practice—or, at least, it is unclear that a basic income would be the best way to address the issues, if justice is the objective.
8. These observations apply mostly to widely applicable basic incomes. Targeted basic incomes that are carefully designed could improve the delivery of cash transfers to specific populations in need due to specific conditions, such as people with

disabilities, or populations undergoing specific transitions, such as youth aging out of care.

9. Finally, we do not recommend that a pilot project be undertaken in B.C. We do not believe it would provide useful information or that additional information is needed before government can make an informed decision about whether to implement a basic income. Moreover, we believe that the operation of basic income pilot projects raise significant ethical concerns.

## **Appendix 5-A: Comparative responsiveness of RTC and NIT formats**

An example can illustrate the extreme lags in responsiveness of the refundable tax credit (RTC) model of basic income to variations in individual income. Take an individual whose normal full-year earnings are above the annual break-even level of a hypothetical RTC. Then the following events arise:

- Year 1: The person earns an amount equal to or exceeding the annual break-even level entirely in the first half of the year through June and then loses all income indefinitely.
- Year 2: The person files an income tax return in April, which leads to a calculation of zero RTC entitlement because the previous year's income equalled or exceeded the break-even level.
- Year 3: The person files an income tax return in April, showing zero income in Year 2 and yielding a calculation of entitlement to the maximum RTC guarantee amount.
- Year 3: In July the monthly payment of RTC benefits begin at the maximum annual rate.

In this example, a full two years pass between the person's loss of all income and the initiation of RTC benefit payments at the maximum rate. Many other scenarios involving long lags between declines or increases in earnings and the corresponding adjustment of benefit payments can occur with the RTC.

The negative income tax (NIT) model of a basic income can adjust benefits much more quickly in relation to variations in a person's income than the RTC model can. However, that increased responsiveness comes at a cost, both literally and in terms of trade-offs with other objectives.

Consider an income-tested basic income with a \$20,000 annual guarantee, a benefit reduction rate (BRR) of 50%, and thus a break-even income of \$40,000 per year. Assume that the NIT uses quarterly income report forms, so that on a quarterly basis the break-even level is \$10,000 (one-quarter of the annual break-even). Two similar persons each earned a total of \$40,000 in the previous year. Person A earned at a steady rate throughout the year, while Person B earned that amount in the first three quarters and zero in the last quarter.

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In the numerical example, Persons A and B would both receive the same benefit (zero) for the following year with the RTC model, since each had earned at the break-even level. With the NIT model, though, Person B would start getting the maximum benefit early in the fourth quarter after reporting zero income. This example illustrates the greater responsiveness of the NIT model, but it also illustrates the NIT's differential treatment for the two individuals if their need is assessed over a full year.

Extending that example, next assume that Person B, who had lost all income in the fourth quarter of the first year, remains without income throughout the following year and also through the first quarter of the subsequent year. With the RTC model, that person would continue to receive zero benefits through the second year and would start receiving the maximum benefit only in July of the third year after assessment of zero income in the second year based on income tax filing. That would constitute a delay in the start of benefits of at least a year and a half after losing all income. In contrast, the benefit under the NIT would start shortly after the income loss.

Next, consider Person A, with continuously steady income at an annual rate equal to the break-even income, and Person B, with the same average annual income but fluctuating month to month within the year. Fluctuations in earnings are common due to seasonal, cyclical, and idiosyncratic factors. The RTC model of basic income would give each person a zero benefit, because their income did not fall below break-even for any year. However, with an NIT assessed and paid monthly, Person B would receive benefits in those months with income dipping below the break-even level.

This example shows why the NIT model with monthly responsiveness will have higher total costs and more beneficiaries than the RTC format, even when both embody the same values of parameters  $G$  and  $BRR$  on an annual basis. An early example using particular parameters for a mooted NIT program in the United States computed that monthly accounting relative to annual accounting (as in the RTC model) increased total cost by 70% and the number of beneficiaries over the year by 140% (Allen, 1973; also see Kesselman, 2020, for further analysis of these issues and hybrid accounting systems for the NIT).

It is possible to design accounting systems that could be included in an NIT to improve the fairness of treatment accorded to people with the same annual income level but differences in the timing of income payments, such as a moving average income approach. However, that would add complexity and, depending on how such a mechanism is designed, could result in people being required to repay previous basic income benefits.



## **Appendix 5-B: Proposals for funding a basic income by eliminating personal income tax credits**

The elimination of personal income tax (PIT) credits can be used to assist in financing a basic income, and this is a common element in almost all Canadian basic income financing proposals.<sup>96</sup> The precise way in which these non-refundable and refundable tax credits are used for finance, either alone or in combination with other tax changes and funding sources, can affect the overall impacts and incentive effects of a basic income. Table 5-B1 summarizes key elements of several basic income proposals that utilize this approach to funding, with a focus on their design parameters and financing provisions.<sup>97</sup> All take the form of a refundable tax credit (RTC) except for one universal basic income (UBI) proposal.

Some of the proposals claim to be “self-financing,” in the sense of not requiring tax rate increases to fund the budgetary cost,<sup>98</sup> while others include a variety of additional tax funding sources, such as increasing rates, modifying brackets, expanding the PIT tax base (e.g., by fully including capital gains), and suggesting new taxes (e.g., a carbon tax).

The “federal/provincial” schemes are led by a federal benefit financed by federal tax and program changes supplemented by provincial benefits financed by provincial tax and program changes. The proposals vary in whether they subsume seniors’ cash-benefit programs (Old Age Security/Guaranteed Income Supplement—OAS/GIS) or social assistance and in other ways that are not detailed here. Most of the schemes would retain the Canada Child Benefit (CCB) as the basic income for children, and some would retain existing seniors’ programs as the basic income for seniors (our simulations do both and limit basic incomes to those aged 18–64. All of the schemes except the UBI

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<sup>96</sup> Pohler and Koebel (2019) propose an RTC also relying on elimination of the non-refundable tax credits for finance. Their benefit structure differs from the others in offering a low guarantee to replace income assistance, accompanied by an earnings supplement scheme to reward labour force entry and earnings.

<sup>97</sup> For greater detail on the proposals, see Tedds and Crisan (2020) or the original studies. Each proposal simulates the impacts using the SPSPD/M, similar to what we’ve done in this part of the report, except that Proposals A, B, and E incorporate modelling of labour supply responses. Proposal A confines analysis to the work hours response, while Proposals B and E also model the labour force participation response.

<sup>98</sup> For example, Boadway et al. (2018, p. 105) state that their scheme is “virtually self-financing. ... No tax rate increases are required.”

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use the scaled guarantee for families, and all RTCs test for income on a family basis, although some use expanded definitions of income for income-testing purposes.

If the basic income were strictly a provincial scheme, B.C. and Ontario would garner much less per taxpayer than other provinces (see Table 5-7) and thus fund a lower guarantee amount than Alberta or Manitoba, for a given set of other parameters. Proposals E and F in Table 5-B1 provide an idea of the order of magnitude. In Proposal E, elimination of tax credits funds a guarantee of about \$6,400. Applying the proportional difference in per-taxpayer funding in Alberta and B.C. suggests a B.C. guarantee of less than \$2,000. The same is true for Proposal F, a Manitoba provincial RTC, although that incorporates additional revenue sources for financing purposes.

*Table 5-B1: Basic income proposals funded by tax credit elimination*

	Type	BI parameters <sup>99</sup>	Comments <sup>100</sup>	Reference
A	Federal/provincial RTC	<ul style="list-style-type: none"> <li>G = \$20,000</li> <li>Federal component \$14,300 and average provincial component \$5,600</li> <li>BRR = 30%</li> </ul>	<ul style="list-style-type: none"> <li>Funding: eliminate social assistance, OAS/GIS, RTCs</li> <li>MBM poverty rate down 73% (from 11.9% to 3.2%)</li> </ul>	Boadway, Cuff, and Koebel (2018)
B	Federal/provincial RTC	<ul style="list-style-type: none"> <li>G: federal \$6,700 + provincial from \$2,100 to \$7,300</li> <li>BRR: 15% federal + 9% provincial (weighted average) = 24%</li> </ul>	<ul style="list-style-type: none"> <li>Funding: eliminate RTCs</li> <li>MBM poverty rate down 40% (from 12.0% to 7.2%)</li> </ul>	Stevens and Simpson (2017)
C	Federal/provincial RTC <sup>101</sup>	<ul style="list-style-type: none"> <li>G = \$22K</li> <li>BRR = 40%</li> <li>Includes CCB and GIS in income test</li> </ul>	<ul style="list-style-type: none"> <li>Funding: eliminate social assistance, RTCs</li> <li>PIT base expansion; corporate income tax rate hike</li> </ul>	Pasma and Regehr (2020)

<sup>99</sup> G = guarantee; BRR = benefit reduction rate

<sup>100</sup> All proposals would eliminate the basic personal amount and certain other non-refundable tax credits (varies by proposal).

<sup>101</sup> This is Option 1 in the study; their Option 2 has the same basic parameters except that it also subsumes the Old Age Security and Guaranteed Income Supplement programs; as a result, it reduces the LICO poverty rate by 75% (from 12.5% to 3.1%).

## Part 5: Basic Income

	Type	BI parameters <sup>99</sup>	Comments <sup>100</sup>	Reference
			<ul style="list-style-type: none"> <li>LICO poverty rate down 52% (from 12.5% to 6.0%)</li> </ul>	
D	Federal/provincial UBI	<ul style="list-style-type: none"> <li>G = \$22,000</li> <li>BRR = 0%</li> </ul>	<ul style="list-style-type: none"> <li>Funding: PIT base expansion and bottom bracket rate of 75%; eliminate OAS/GIS and social assistance; cost of \$638 billion</li> <li>LICO poverty rate down 76% (from 12.5% to 3.0%)</li> </ul>	Pasma and Regehr (2020)
E	Provincial (Alberta) RTC <sup>102</sup>	<ul style="list-style-type: none"> <li>G = \$6,400</li> <li>BRR = 10%</li> </ul>	<ul style="list-style-type: none"> <li>Provincial MBM poverty rate down 23% (9.9% to 7.6%)</li> </ul>	Simpson and Stevens (2019)
F	Provincial (Manitoba) RTC	<ul style="list-style-type: none"> <li>G = \$7,300</li> <li>BRR = 13.5%</li> <li>Expands income test to include OAS/GIS, CCB, and workers' compensation</li> </ul>	<ul style="list-style-type: none"> <li>Funding: increase top-bracket rate; add \$50/tonne carbon tax</li> <li>MBM provincial adult poverty rate down 41% (from 8.5% to 5.0%)</li> </ul>	Green Party of Manitoba (2019)

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<sup>102</sup> This is Option 1 in the study; their Option 2 also replaces provincial refundable tax credits and has a guarantee of \$6,801 but yields virtually the same impact on the poverty rate.

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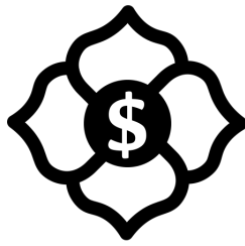
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## **Part 6: Vision and Recommendations**

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## 1. Vision and conclusions

A vision of a more just society in British Columbia underlies all the work that has gone into developing our advice to government in response to the tasks set for us in the terms of reference. A society of mutual respect and mutual concern. A society that recognizes the richness of life so eloquently described by Chief Joseph Gosnell (2003) at the beginning of this report, by acting so that “no one gets left behind.” A society where, as Adam Smith (1759) put it, the reciprocal support we all need from each other is given “from love, from gratitude, from friendship, and esteem.” While there are almost as many visions of what a just society looks like as there are people in this province, we believe that the shared vision of these expressions of hope and principle coming from such different cultures and times points to a way forward. All notions of justice arise from the idea that we owe each other self-respect and dignity, treating each other as equals who deserve our respect.

The American philosopher Elizabeth Anderson (2018, p.1) provides a more concrete description of these bases of self- and social respect: “We owe each other the rights, institutions, social norms, public goods, and private resources that people need to avoid oppression (social exclusion, violence, exploitation, and so forth) and to exercise the capabilities necessary for functioning as equal citizens in a democratic state.”

Clearly, government policy on its own cannot provide everything that we owe each other. But we believe that making positive changes in government policy can help move us toward being a more just society. That is what is being proposed by proponents of a basic income. Our charge was to think about both whether a basic income in and of itself is the most positive change we can make and how the principles that underlie support for a basic income can be used to guide other changes in policy.

In more specific terms, we were guided by notions of what constitutes a just society to compare existing and potential policies against a list of (sometimes conflicting) characteristics that define just policies and programs: adequacy, accessibility, security, responsiveness, opportunity, social connection, policy stability, and reciprocity.

Taking a justice-based view of our goals entails a shift in perspective. It means asking not “How do we help the most vulnerable among us?” but “How do we create a more just society together?” It means a shift from seeing the most vulnerable among us as others in need of our help, to seeing them as equal participants in creating a better society. Throughout our recommendations we have woven the theme that these

proposals should be the first step in a consultation with affected groups as well as with people who can bring useful evidence and data to the table. These consultations should be ongoing. We recommend mechanisms that involve continuing adjustments accompanied by continuing consultations—mechanisms ultimately rooted in human rights recognized by Canada in its signature on international agreements. The result will be a messier process than simply defining and implementing a pre-specified efficient solution to a narrow issue, but it will be more just. It will also, likely, be more effective and have fewer unintended consequences.

### **1.1 Conclusion: B.C. should not implement a basic income for all**

We have concluded that moving to a system constructed around a basic income for all as its main pillar is not the most just policy change we can consider. The needs of people in our society are too diverse to be effectively answered simply with a cheque from the government. Our conclusion is partly reflected in the fact that a basic income is a very costly approach to addressing any specific goal, such as poverty reduction, but also in the way a basic income would try to accomplish those goals. It is an approach that supports individual autonomy—which is one element of our set of just characteristics—but does it to the exclusion of approaches that emphasize social interactions and co-operation. It seems to us to be more individualistic than the way we believe British Columbians see themselves, placing too little emphasis on the communities in which they live and that help define them. Nonetheless, we see targeted basic incomes for some groups as a useful tool that can be applied in some cases to help achieve what we are trying to accomplish.

Our suite of recommended reforms could be seen as building the necessary platform on which a basic income could stand if this or a future government decided on a general basic income as a policy approach. Nevertheless, for all the reasons set out in Part 5, Section 8 (Conclusion), we do not believe a basic income for all is the best approach now or in the future for B.C.

### **1.2 Conclusion: B.C. should reform the current system**

We have concluded that reforming the current system by applying basic income principles within the context of the justice-based analytical framework we have proposed is the preferred policy alternative to a basic income.

Through our investigations, we realized that the changes we would recommend stand on a solid base of existing policies. Existing social programs (a system that includes universal basic service elements, such as medicare, education, justice, child protection, and family services, and income-tested transfer and service pieces, such as Income Assistance, PharmaCare, child care, and housing) provide a sound foundation generally consistent with our justice-based analytical framework. These policies have been introduced by various governments over time and, in our opinion, have been substantively improved by changes in recent years.

Nonetheless, the set of income and social support policies in B.C. does not constitute a system, per se, but a collection of disparate cash-transfer and basic service programs that would benefit from greater coordination to reduce inconsistency and increase access throughout. More importantly, the system—built like a house with many renovations undertaken without an overall plan—treats some people without the dignity they deserve, in spite of the best efforts of the people working within the system. A guiding principle of our recommendations is that we find ways to help people with dignity, including making sure the affected people have a strong voice in ongoing policy change. One of our goals is to propose changes that create a more complete, purposeful, and interactive approach to fulfill our common aims.

Our recommendations are closely aligned with the government's poverty reduction targets, though our goals extend beyond simply reducing the poverty rate. One important issue that we do not address directly is food insecurity. This is clearly a serious and important issue, but we believe it is best addressed by relieving people of the other pressures that lead them to have to cut back on food—housing, health, and income being among the most central. The alternative is to build a food delivery system or transfers linked to food expenditures. We view that alternative as overly invasive, and we are reluctant to institutionalize something like the food-bank system that originally arose because of failures in the rest of the support system.

### **Income Assistance reform**

Building on the current system involves filling gaps in the federal/provincial safety net that leave certain groups vulnerable or imply inadequate protection against some types of adverse events. In particular, Income Assistance, the core provincial program, is based on a principle of “funder of last resort.” That results in shortfalls in terms of some of our characteristics of a just system (characteristics that are often also attributed to a basic income): autonomy, accessibility, and stability. On the other hand, Income

Assistance is much more responsive to sudden changes in circumstances for people than we believe any feasible provincial basic income could be at present.

A major drawback of the current Income Assistance system is the “welfare wall”—the very high effective tax rates that recipients face on earned income. In B.C.’s case, the wall is particularly high: benefits are reduced by a dollar for each dollar of earned income above the earnings exemption (a 100% benefit reduction rate, in the terminology of economists) combined with losing access to health and other supplements. The wall reflects an attempt to focus benefit payments on those most in need, but it also acts to discourage recipients from exiting the program for work. We found that any basic income that is designed to minimize cost as well as reduce poverty and benefit those in need will also create a welfare wall with similar work disincentives, while at the same time lacking the responsiveness of Income Assistance. Moreover, our simulations using administrative data indicate that meeting any particular poverty target is much more expensive under a basic income scheme, challenging public trust in and support for redistribution. We believe it is possible to reform Income Assistance to improve autonomy, accessibility, and stability while avoiding the shortcomings of a basic income approach.

### **Basic services and labour market reform**

Our vision is of a mixed system, with basic services such as extended health supplements available to all low-income individuals (regardless of whether they are receiving government cash benefits), targeted supports for groups like youth aging out of care, targeted basic incomes where they are most helpful (such as for people with disabilities), and moves toward a more just labour market to underpin it all. An important goal of our approach is to help build supportive, mutually beneficial communities. In keeping with that goal, we believe all of this should be done with careful concern for building public trust—not just among those who most need support but also among those who will see themselves mostly as paying into the system. Our guiding philosophy is one of reciprocity.

We believe that many of the reforms we propose would be needed even if this or a future government decided that a universal basic income were a worthwhile approach. As many proponents of a basic income recognize, true autonomy is found only partly in monetary resources. It is built on a base of supportive communities and families, on a fair labour market, and on specific services such as health care and education. In the most extreme versions of a basic income, those services are expected to be bought in

the market using, in part, the money distributed through the basic income. We see this as misguided.

A prime example is youth aging out of foster care—perhaps the strongest example of a longstanding failure of the existing system to meet standards of justice. For these young adults, financial security is part of the way forward, but cash transfers without also helping them form supportive attachments are simply not enough. The first steps have recently been taken to address the needs of this group, but there is much more to be done.

Another example is labour market reform. Basic income proponents argue that cash transfers will allow workers to walk away from bad work situations, forcing employers to offer better working conditions and wages. But labour regulation changes aimed at finding a better balance between the interests of workers and firms would be a much more direct and effective approach. Moreover, building a more just labour market could provide the underpinning for a basic income or other cash-transfer programs, since people are more likely to choose work over receiving cash when the jobs on offer are good jobs. Recent reforms to labour regulation have begun to move B.C. closer to that balance but there is more to be done.

### **Tax system reform**

Building the basis for a basic income would also involve a major overhaul of the tax and transfer system—another reform that is needed whether or not a basic income is chosen as the main policy approach. Of course, this is something that needs to be initiated at the federal government level, though B.C. could add its voice to the calls for reform. Useful advances would include simplifying tax filing for low-income persons and making the system responsive to intra-year income variations. More generally, the federal government already delivers most existing targeted basic incomes in Canada and would be best placed fiscally and administratively if a basic income were, eventually, to be implemented. This would mean a division of responsibility in which the federal government delivered cash benefits through a reformed tax system while the provinces focused on their comparative advantage in the area of delivering needed social programs and services.

### **Focus on work**

Another way to look at our conclusions is from the perspective of work incentives and disincentives, which are an important theme running throughout this report. The



disincentive effects cash transfers can have on work are important. Any people who choose not to work as a result of such disincentives experience a loss of the dignity and self-respect work brings. Collectively there are economic and fiscal consequences of reduced labour force attachment. Minimizing these effects is an important consideration for us.

Our work has led us to three conclusions which, on their face, may be surprising. The first is that, despite claims that a basic income would reduce the work disincentive of earnings clawbacks under Income Assistance (the welfare wall), that is not so under feasible versions of a basic income. High rates of benefit clawbacks are a problem with the current Income Assistance system, but a feasible basic income program would take an income-tested form with high clawback rates to meet poverty reduction targets. Reducing clawback rates is a valuable goal of either a basic income or a reformed IA system, but it is not a relative advantage of a basic income.

Our second conclusion is that it is not only the earnings clawback that affects work by making it hard for recipients to choose to take a job. Losing the valuable non-cash benefits such as health supplements that come with receiving Income Assistance benefits raises a wall of its own. On top of that is the prospect of Income Assistance eligibility tests being reapplied on re-entry, which makes taking the types of unstable jobs available to less-skilled workers a risky proposition.

Thirdly, the popular idea that technological change is fundamentally changing the nature of work is not supported by the evidence, at least not yet, but precarious work remains persistently high. We therefore reject the idea, at least in the foreseeable future, that we must turn to a basic income because work-related approaches to supporting people will be unavailable on account of the end of paid work as we know it.

These conclusions guide much of our approach to recommendations. Proposed Income Assistance reforms and a generally available extended health benefits program for those with low incomes will lower the welfare wall to reduce work disincentives. Effective work assistance will lower barriers to employment and bring people the hope of accessing new work opportunities. Labour regulatory reform will improve wages and working conditions for low-wage, low-skill jobs, improving the attractiveness of work relative to receiving benefits. Enhanced earnings supplement benefits will provide direct benefits to an important group—low-income earners. This group consists predominantly of women and Indigenous and racialized people whose importance and vulnerability have been revealed by COVID-19.

Our approach in all of this is not to use work as a punitively enforced requirement to access benefits but, rather, to offer people the supports, incentives and conditions of work that will make it possible to access the dignity of work that we believe people value. Overall, we are confident that these measures will significantly increase supports for working and greatly reduce the disincentives in the current system, enhancing the ability of those in or near poverty to access good jobs.

### **1.3 Conclusion: B.C. should not conduct a basic income pilot**

Finally, part of our mandate was to consider the effectiveness of a basic income pilot study. We do not believe this is an effective use of government money. Many of the claims that truly differentiate a basic income from other approaches—claims about the way having a guaranteed and permanent source of income would change decision-making—cannot be fully evaluated using a pilot that lasts three or five years. A longer pilot could be undertaken, but it is unlikely to continue that long for political reasons. Moreover, waiting for the results of an experiment before making policy changes would delay what needs to be done by too long. Another deficiency of a pilot study is that it cannot include the changes needed to finance a real-world basic income, and the behavioural responses of taxpayers may be even more salient than those of program beneficiaries.

However, we do believe strongly in the need for policy evaluation to guide effective policy-making. Our preferred approach involves implementing policy changes in an incremental way, building in mechanisms for evaluation. The evaluations would then provide feedback and, along with ongoing consultations with affected groups, be part of a continual process of policy improvement.

### **1.4 Approach to recommendations**

In the rest of Part 6, we set out our recommendations to reform the current system, building on these considerations of how to help create a more just society. Our specific approach involves identifying some specific groups that need targeted attention, as well as identifying ways that programs and the overall system can be improved for all. Our main recommendations concern provincial programs, but we include some recommendations for reforming the benefit delivery platform used throughout Canada, the federal income tax system. That combination of reforms that target specific groups and reforms that improve the system in a more general, cross-cutting way is illustrated in Figure 6-1.

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We have divided our recommendations between short- and medium-term, based on our assessment of both the effort required to develop the recommendations into implementable measures and the order of magnitude of the cost. Cost estimates have been developed in concert with affected government agencies and are included in Section 12 (Summary of Recommendations).

*Figure 6-1: Recommendation grid*

Policy area	Low-income groups				
	People with disabilities, including addiction and mental health	Families with children	Single adults and those ineligible for EI	Youth aging out of care or those who grew up in poverty	People with emergency needs
Targeted cash transfer reforms	Yes		Yes	Yes	Yes
Child Opportunity Benefit reform		Yes			
Extended health benefits basic service	Cross-cutting reforms				
Housing support reforms	Cross-cutting reforms				
Access to work basic service	Cross-cutting reforms				
Labour market regulation	Cross-cutting reforms				
System reforms and IA cross-cutting reforms	Cross-cutting reforms				

### 1.5 Our vision

What does the future we envision look like? It is a province that continually strives to use the power of government and the full set of tools at its disposal to balance our desires for individual autonomy and our need for community. It is a place where evidence, outcomes, and the lived experiences of those most affected drive changes. And it is a place where the reciprocity needed to build and maintain public trust is at the core of public discourse. In short, it is a vision of a society that always seeks the elusive balance inherent in a just society, knowing that is a never-ending quest.

## 2. Reforms targeting people with disabilities

This section describes a set of proposed policy reforms that we believe will improve the current system's support for people with disabilities in a way that is more consistent both with basic income principles and with our description of the characteristics of a just system. We deliberately use the term “people with disabilities” here to distinguish them from the “Persons with Disabilities” (PWD) designation in B.C.'s Income Assistance (IA) program. PWD is also sometimes used to refer to the Disability Assistance (DA) program itself. Our perspective here is both wider than IA and wider than the current PWD category, so “people with disabilities” refers to the group of people with any type of impairment that affects their life, regardless of how severe it is, how long it lasts, or whether the condition will improve.

IA is the major program supporting people with disabilities. Part 4, Section 5.1 (Income Assistance), provides a description and analysis of IA, including DA and other parts of IA that assist people with impairments that affect their ability to work. Here we build on that work to discuss ways to improve the program for people with disabilities. Our discussion of improvements and recommendations relies heavily on a report prepared for the Ministry of Social Development and Social Innovation, a precursor to the current Ministry of Social Development and Poverty Reduction, by an expert panel of physicians specializing in physical medicine and rehabilitation, referred to as the 2016 Expert Panel Report (Dunn et al., 2016). Although not confidential, the report has never been published, so we have made a copy available on our [website](#), with permission. We are indebted to the panel for its comprehensive and insightful work.

We see the combined set of our recommendations as amounting to establishing a basic income for people living with a disability, setting their guarantee level to above the poverty line. This basic income would by no means be the sum total of what would be done for people living with disabilities—it would be complemented with a set of services and supports described in our other recommendations. To repeat a recurrent theme, we see these recommendations as suggestions for starting a focused conversation that must include the community of people with disabilities. Among our proposals is one for a mechanism to ensure that policy-making involves considerable consultation on an ongoing basis.

This section briefly sets our recommendations in the context of our analytical framework. We then discuss parameters related to the benefit structure of IA as it applies to people with disabilities, including the definition of income, earnings

exemption, and rate at which income above the threshold is clawed back. We next address services provided to people with disabilities, including extended health in-kind benefits, work supports (which also follows Dunn et al., 2016), and other basic services, including housing.

We have chosen to begin our discussion of specific groups with people with disabilities because of their importance as a group with clear and significant unmet needs—despite being the largest group served by the current system. This section lays the foundation for recommendations addressing other identified groups and for our sections on cross-cutting program areas.

### 2.1 Context

Our general conclusion is that B.C. needs a set of cash-transfer and basic service programs that work together to provide people with adequate resources and the autonomy to use them, but also services targeted to address both the needs of specific groups and the specific needs of individuals within those groups. People with disabilities are an important example, as a group characterized by generally higher needs than the general population, facing higher rates of poverty and less capacity to work overall, but also with an incredible diversity in terms of individual circumstances. This is clearly a group requiring both targeted cash transfers and basic services, some of which (in principle) are already in place under the current system. But Part 4 makes it clear that there are opportunities to improve the alignment of the current system with our analytical framework and better achieve our justice-based goal, including those programs for people with disabilities.

IA provides both the cash-transfer element and much of the basic service capacity of the current system for people with disabilities. The analysis in Part 4 led us to conclude that there are three main areas on which to focus our recommendations for improvement.

The first is determining eligibility. Much of the argument in favour of generally applicable basic incomes is that they avoid the barriers to access and lack of respect inherent in programs that target specific groups and therefore require eligibility to be established. We have concluded that despite these characteristics, a generally applicable basic income is, overall, not the right solution for B.C. at this time. Even if we were recommending a basic income, additional resources and therefore programs would be required to meet the additional needs of people with disabilities. While the need to

## Part 6: Vision and Recommendations

determine eligibility cannot be avoided, eligibility requirements also affect barriers to both entering and exiting the program, as pointed out in Part 4; accessibility and the respect inherent in the process of determining eligibility can be improved. We make recommendations to increase accessibility and respect associated with the program, as well as to reduce incentives not to work.

Second is the structure of the cash-transfer part of IA. Part 3, Section 5 (Income Testing and Effective Tax Rate Implications), established a general approach to income-tested program structures and effective tax rate-induced incentive effects of income testing. IA cash transfers are income-tested, and that general approach applies with a distinctive set of parameters:

- maximum benefit amounts that vary across IA categories, directly related to the adequacy of the resources provided
- income exemption levels, below which the maximum benefit is paid and above which benefits are reduced as income rises, with exemptions that also vary by subcategory
- a 100% benefit reduction rate that reduces benefits dollar for dollar above the income exemption level for all subcategories
- resulting break-even levels that equal the sum of the income exemption and the maximum benefit amount for each subcategory

Not only does this benefit structure affect adequacy, but it also affects two elements that can affect public trust—the cost and work disincentives—as well as stigma associated with how benefits are delivered. Our recommendations seek a better balance in the trade-offs among adequacy, respect, security, cost, and work disincentives.

Third, we make recommendations to improve the basic services available to address the diverse needs of people with disabilities, which cannot be appropriately addressed by cash transfers. These include services related to health and other costs of living with a disability, barriers to employment for those wanting to work, and housing. Most of these reforms fill gaps that will benefit people with disabilities as well as people with other needs that should be addressed through services in responsive ways.

## 2.2 Eligibility reform

We start by addressing the question of how to determine which people should qualify for IA because of impairments that affect their ability to work, including IA categories for people with disabilities, eligibility tests, and the process for applying those tests. As discussed in Section 3.2 (Background Patterns), with 73% of recipients excused from work for a medical reason, IA has effectively become a disability program. That makes the ability to fairly and accurately determine eligibility for a disability designation of utmost importance.

### Disability Assistance categories

The current system has three relevant categories of IA for people with health and disability issues. Expected to Work—Medical Condition (ETW-MC) is for people with impairments that are expected to be short in duration and so are addressed mainly by suspending work-search requirements. Persons with Disabilities (PWD) is for people with high severity of impairment and long expected duration. Persons with Persistent Multiple Barriers (PPMB) is for people with moderate severity of impairment, where there is some prospect of work but likely not for the next two years. Its definition involves at least one health condition plus at least one other barrier to work (such as being homeless) and is often a stepping-stone to PWD.

The 2016 Expert Panel commented that “the most problematic part of the current structure in terms of encouraging self-sufficiency is the PPMB category, which effectively parks many of the people with moderate disabilities who might be able to return to work but has no employment obligations.” The panel made a number of recommendations based on the principle of applying established medical concepts and objective medical evidence to determine how likely people with impairments are to achieve self-sufficiency. The key concepts set out by the panel (Dunn et al., 2016, p. 3) are as follows:

- Work itself is therapeutic. From a psycho-social and medical perspective, there is a strong justification for supporting safe and appropriate employment for all those with the potential to achieve self-sufficiency.
- “Impairment” and “disability.” Impairment is an actual physical/psychological loss, which can be assessed by a physician, more or less objectively. Disability relates to how that loss impacts an individual’s ability to carry out a particular task or participate in a particular activity, which is a more subjective question....

- “Maximum Medical Improvement (MMI).” Whether a person’s medical condition is temporary or permanent is important in disability assessment....<sup>103</sup>
- Objective medical evidence. It is important that findings of impairment by physicians be supported by objective medical evidence to the extent possible. Many common disability conditions are subjectively self-reported ... (but) use of validated psychological testing and mental status examinations can provide important objective support for self-reported conditions.

Applying these concepts, the 2016 Expert Panel designed a set of reformed IA categories together with significant process recommendations and supports for work, intended to provide those with the potential to work the opportunity to do so. We find that this approach would serve to improve the IA program in terms of its treatment of people with disabilities in several important ways, including improving access, treating people with disabilities with more respect by being more objective and through process improvements, and enhancing social inclusion by providing greater opportunity.

We support in principle the advice given by the 2016 Expert Panel on how to think about the different groups of people who have medical impairments that affect their ability to work—that is, people who have disabilities with respect to work. There are three broad groups:

1. A Severe-Persistent Disability (SPD) group, which corresponds to a reformed PWD designation—This consists of people who have reached MMI at a level of impairment that is expected to severely constrain their everyday life and their ability to work, and that is expected to persist.<sup>104</sup> The 2016 Expert Panel defines this as “the person has reached MMI and has severe impairment that directly and significantly affects the person’s ability to perform daily living activities.” Severe impairment would be defined as recommended by the 2016 Expert Panel.
2. A Moderate-Persistent Disability (MPD) group, which corresponds to people who have reached their MMI at a level of impairment that imposes moderate constraints on daily functioning and the ability to work, and that is expected to persist (i.e., applying the 2016 Expert Panel definition of moderate impairment)—People in this category will often require supports and accommodations in order

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<sup>103</sup> The report also notes that MMI is “a status where the person is as good as they are going to get from the health and program care available to them” (p. 14).

<sup>104</sup> Persistence does not preclude conditions that are episodic or cyclical.



to work and may not be able to work full-time or may need to take lengthy periods of time away from work, particularly if their condition is episodic. In contrast to the current PPMB designation, entering this category depends only on medical conditions and not on additional circumstances that are potentially arbitrary and require an admission of issues that some people may find demeaning.

3. A Temporarily Unable to Work (TUW) category, which includes people in two different circumstances—The first covers those with impairments that are severe enough that they would have difficulty working but that are not expected to persist. This is essentially unchanged from the current ETW-MC category. There are other, non-medical reasons why work obligations of ETW recipients may be waived, and recommended changes would not affect that aspect of the ETW category. The second circumstance relates to those who are assessed as likely having a persistent impairment, either moderate or severe, but who have not yet reached MMI and thus cannot be given a final designation. The main goal for this group is to support people with living expenses (through cash, housing, etc.), therapy, and medical supports and services to improve their medical outcomes as much as possible, including a requirement for ongoing assessment up to the point where MMI can be declared. Once MMI is declared, these people would move to a disability category if their impairment is moderate and persistent, or severe and persistent. Otherwise, they would move to the ETW category.

While there are three disability-related groups, as discussed later, in the spirit of reducing complexity we are recommending only two benefit levels and no distinction in access to services or in-kind benefits.

**Recommendation 1 (medium term):** Replace the current Persons with Disabilities, Persons with Persistent Multiple Barriers, and Expected to Work—Medical Condition categories with two disability categories: one for those with long-term disabilities, Moderate-Persistent Disabilities (MPD) and Severe-Persistent Disabilities (SPD) designations combined into an MPD/SPD category, and a second for those with short-term disabilities or disabilities where the severity and duration have not yet been determined, a Temporarily Unable to Work category, all based on the definitions recommended by the 2016 Expert Panel.

### Application process

Under the current system, there is an online portal through which those seeking IA, whether Temporary Assistance (TA) or DA, apply. The initial assumption, though, is that the application is for TA. Those in search of DA benefits can file a separate application for PWD designation at any time, and doing so freezes the requirement to divest themselves of assets in excess of the TA asset exemption. Applying for TA requires that a three-week job search be completed prior to receiving benefits, although applicants can be excused from that requirement for several reasons, including certain medical conditions. Most people who have disability-related barriers to employment would be excused from work-search requirements, but that decision is unrelated to applying for the PWD designation.

We are concerned that the initial assumption that the application is for TA reinforces concerns among people with disabilities that the system will not fully recognize their needs and may eventually require them to meet conditions in the TA system. On the other hand, completely separating the TA and DA application processes would tend to increase the stigma associated with TA, isolating them as the “undeserving poor.” In addition, with the approach we are recommending, those found to have short-duration and/or low-severity disabilities through the assessment system would ultimately be required to seek work, with work-related assistance, under the TA program. Instead of separating the application systems, an initial triage step would be implemented to stream applicants appropriately and ensure that each is treated with appropriate respect. For those with a disability, once triaged into the disability stream, only disability-related eligibility conditions would apply.

The 2016 Expert Panel recommended a complete overhaul of the relevant application forms. The current forms require applicants to report extensively on their condition and then separately require the health-care professional completing the form to provide an assessment. However, the forms neither focus on important questions related to impairment severity and persistence, and MMI, nor use common medical terminology. The panel recommended that revised forms be developed based on examples provided in Appendix D of their report, and that physicians provide objective medical evidence. While more onerous for physicians, the result will make adjudication more objective and, in many cases, faster and less intrusive.

**Recommendation 2 (medium term):** Implement an initial triage step within the common application portal, in which people with disabilities are guided to an evaluation system specifically for them, essentially separating the application streams early in the process.

**Recommendation 3 (medium term):** Revise application forms as recommended by the 2016 Expert Panel and require objective medical evidence to be provided.

Effective implementation of these recommendations would require having more people involved through an increase in the number of offices and staff, an issue discussed in more detail in Section 11 (System and IA Cross-Cutting Reforms).

### Asset test

There is currently an asset test for PWD, though the limits are high (\$100,000, with several exemptions) and there are mechanisms to ease those limitations further. We believe this relatively non-binding asset test contributes to applicants seeing the system as overly intrusive and making potentially inappropriate decisions about assets based on misinformation about the test. We note that some other jurisdictions in North America do not impose asset tests for disability benefit systems. There is an obvious balance to be struck between allowing people to build up and keep assets that can help them support themselves through difficulties and the inequity of people with different amounts of wealth getting the same benefits. For disabilities, which are both persistent and expensive, we believe the benefit of this recommended change outweighs the equity concern.

**Recommendation 4 (short term):** Eliminate the asset test for disability categories.

### Income test

Eligibility for DA requires that the applicant's income be below the amount of benefits payable for their family size and IA category. For PWD-designated single adults, that amount is currently \$1,183.42 per month (\$14,201 annually). As discussed in Part 4, Section 5.1 (Income Assistance), this barrier to entry contributes to the welfare wall by requiring earnings to fall sharply for those earning income above the break-even level

(currently \$26,201 for a single adult, increasing to \$29,201 in 2021),<sup>105</sup> before they are eligible to reapply for DA.

There are three options for reforming the approach to income testing. The first is the current test, where income must be below the maximum benefit level. The second would be that income must be below the break-even level, the amount of income at which benefits are fully phased out. A third option would be to eliminate the income test and allow anyone who believes their disability would qualify to apply, regardless of their current income. Those who qualify would not receive a benefit payment unless their income dropped below the break-even level. That would effectively provide insurance against future loss of income for those with disabilities, but that function is already provided by the Employment Insurance program. Although it would simplify the system and reduce stigma somewhat, the third option would likely result in increased applications and pressure on the adjudication system. We therefore support the second approach initially, which would be a major step toward turning the disability system into a basic income for people with disabilities, with the potential for going further in future if warranted based on evaluation of the results of the change.

**Recommendation 5 (short term):** Set the income test applied at the time of application for disability categories at the break-even level (i.e., the point at which benefits are fully phased out under the reformed benefit structure), so that people can apply so long as they would receive any amount of benefit if their application is successful.

Note that the break-even level depends on the maximum benefit, the income exemption, and the benefit reduction rate, as well as family make-up, as recommended in Section 2.3 (Cash-Transfer Reform for People with Disabilities).

### Adjudication process

Under the current system, assessments of disability status are done by adjudicators who apply the eligibility criteria based on information provided in applications, with two possible levels of appeal. There is no medical advice available to ministry staff during the initial adjudication or either level of appeal.

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<sup>105</sup> For DA the break-even level of income at which benefits are phased out by the clawback of earned income from benefits so that the person no longer is eligible for DA is equal to the earnings exemption (\$12,000 for single adults in 2020, increasing to \$15,000 in 2021) plus maximum annual benefits (\$14,201) for a total of \$26,201 in 2020, and \$29,201 in 2021.

The adjudication process has the potential to make the system seem arbitrary and inflexible. It also appears to be inefficient in its use of information and unnecessarily lengthy in many cases. Decisions made in other related systems and medical diagnoses had traditionally been given no weight in the adjudication process, although that began to change in 2016. There is room to expand recognition of other medical assessments that indicate disability without a full assessment under the DA program.

The 2016 Expert Panel recommended creating a new adjudication process that starts with a triage stage, moves to an information-gathering stage, and then moves on to an adjudication stage. The process would include what the 2016 Expert Panel calls “auto-ins”—that is, using decisions in other government systems on disability status to expedite decisions within the B.C. system. For example, the Canada Pension Plan disability benefits (CPP-D) system has a stricter definition of disability, so if a person has a disability designation under that system, then that should be used to grant immediate designation under the B.C. system, a change that was implemented in September 2016. The panel identified additional auto-ins that should be considered. For example, the assessment system would make use of “presumptive diagnoses,” described in the report as follows: “Where a person has been diagnosed with a condition that generally means that the person does or will soon meet the PWD disability threshold, require less information about impairment related to daily living activities and focus on the medical condition itself instead” (Dunn et al., 2016, p. 25). This involves the use of a list of diagnosed conditions that, if present, would imply an immediate SPD designation.

A key reform of the adjudication system is to set a professional standard for disability adjudicators—either a disability-management professional designation or a regulated health-care professional designation. Such a requirement would have to be phased in and could be augmented by enhanced on-the-job training for current adjudicators without a designation. Having a separate triage system in the disability part of the system will allow for training of these workers and a buildup of further expertise on their part.

In addition, following the recommendations of the 2016 Expert Panel, adjudicators should have access to physicians for consultation on difficult cases. Appeal boards should also include people with lived experience with disabilities.

**Recommendation 6 (medium term):** Implement the recommendations of the 2016 Expert Panel related to the adjudication process. In addition, create a chief medical officer position for the disability system.

The chief medical officer position would be similar to the equivalent position in the workers' compensation system. This person would be in charge of reviewing and improving the adjudication system and ensuring the proper use of medical advice. They would also be responsible for assessing the effectiveness of ongoing rehabilitation services, discussed below.

### **Maintaining eligibility—reassessment**

While the ministry maintains the authority to review a person's eligibility, there is currently no designated reassessment period once a person attains a PWD designation. For the PPMB category, until changes were made in 2019 there was officially a two-year reassessment period. In practice, PPMB reassessments were infrequent. However, a history of reassessments in the past and reassessments in other (federal) systems appears to have contributed to a climate of fear about reassessment. The fact that the ministry's authority to review eligibility is discussed in online program information (presumably to discourage fraud) leads to ongoing fears about reassessment and losing access to benefits for both PPMB and PWD benefit recipients. We heard that fear loud and clear in some of our consultations. It is a fear that undermines the usefulness of the benefits as a secure base from which to make decisions and creates a barrier to access.

Our recommendations would see an initial assessment and rehabilitation period for applicants unless they are quickly approved through an auto-in or presumptive diagnosis. This provides an extended opportunity to make sure that there is no fraud associated with disability assessment. As a result, while having the authority to review eligibility is an important protection against fraud, there should be no need to review a person's impairment and resulting disability designation once the person has been designated with either SPD or MPD status, which requires that they have reached MMI. There might be some undetected fraud but that should be small enough that doing reassessments would bring small benefits relative to the cost of negatively affecting recipients' sense of security and comfort in applying. Reviews of other eligibility criteria would continue to be within the program's purview.

In the case of those who have impairments but not an SPD or MPD designation, the 2016 Expert Panel said:

For those who have not reached MMI, reaching the highest level of improvement possible will depend on how well they adhere to recommended treatment ... The Panel suggests that anyone in the ETW-MC (our TUW) subcategory should be required, as a condition of eligibility, to adhere to a reasonable evidence-based treatment plan if one applies, whether the treatment plan is intended to bring a person to MMI or maintain them at MMI. (Dunn et al., 2016, p. 23)

We echo that sentiment but feel loss of benefits would be disproportionate and subject to arbitrary decisions. Consistent with basic income principles, there would be no specific penalty or threat of losing status or benefits related to compliance with recommended treatment for those not yet at MMI.

**Recommendation 7 (medium term):** Limit eligibility review for people designated as MPD/SPD to factors other than their disability designation. People who have not reached MMI should be expected to commit to pursuing recommended treatment to the best of their ability.

### 2.3 Cash-transfer reform for people with disabilities

In principle, our approach to benefits for people with disabilities is that the support provided should be consistent with that provided to low-income seniors, treating the permanent disability community as equivalent to the retired population. Both are groups of people for whom paid work may or may not be a part of their lives, but society has a lower expectation of work than it does for the working-age population generally.

Largely because of the federal Old Age Security/Guaranteed Income Supplement (OAS/GIS) program, a basic income, seniors have poverty rates of 6% to 7% (see Part 3), which are below the rate of 10% for working-age adults without disabilities. In contrast, working-age adults with severe disabilities are almost three times as likely as those without disabilities to live in poverty (28.3%) and twice as likely as those with mild disabilities (14.2%) (Brisebois et al., 2018). Patterning disability benefits on aspects of the OAS/GIS will provide consistent, fair, and respectful treatment for those with disabilities, with design differences as appropriate to recognize differences between the two groups.

### Payment method

In the current system, benefit payments to DA recipients are made by the province through the Ministry of Social Development and Poverty Reduction. Compared with the less-intrusive payment mechanisms associated with federal benefits delivered by Service Canada, such as CPP and GIS, or the Canada Revenue Agency (CRA), such as refundable tax credits, this can be seen as stigmatizing.

**Recommendation 8 (medium term):** Reform Moderate-Persistent Disabilities/Severe-Persistent Disabilities benefits (or, if those categories are not adopted, Persons with Disabilities benefits) into a targeted basic income, delivered by the Canada Revenue Agency (CRA) as a refundable tax credit, subject to federal government agreement. The Ministry of Social Development and Poverty Reduction would continue to be responsible for eligibility adjudication. On designation, the CRA would be responsible for calculating benefits and delivering payments, as with other refundable tax credits. Recipients experiencing an income drop could opt out of CRA benefit delivery, reverting to monthly benefit calculation and delivery by the ministry until revoked in a subsequent tax filing.

There are two issues associated with delivering cash transfers through the income tax system. As discussed in Part 4, Section 3.5 (Institutional Framework), for a variety of reasons many vulnerable and low-income individuals do not file income tax returns. That includes those with PWD designations, many of whom currently have no obligation to file since they pay no tax even though they thereby lose out on benefits. In Recommendation 54 we propose seeking federal co-operation for automatic tax-filing to overcome these barriers. That will be especially important for those receiving this targeted basic income, and in particular those who have little or no earned income.

The second issue, discussed in Part 5, Section 3.3 (Types of Basic Income), is that the income tax system responds only annually to changes in income, which can result in a delay of up to two years before benefits are adjusted after a change. The evidence suggests that few people designated as having persistent disabilities will have income exceeding the exemption level of \$12,000 per year (increasing to \$15,000 in 2021), and it is expected that for the small number who have higher levels of income, many will have relatively stable income. For these recipients, the stability and automated nature of a CRA-delivered refundable tax credit would be very beneficial.

However, for those who have income that exceeds the exemption level and fluctuates, it is important that the benefit payments increase quickly to prevent economic instability from sudden income drops, while avoiding requirements to repay overpayments from



sudden income increases and maintaining fairness across recipients. The program must do this without imposing undue compliance and reporting burdens on those with low or stable income.

As indicated in Recommendation 8, we propose that this would be addressed by giving recipients the ability to opt out of CRA benefit delivery. That would result in the ministry calculating and delivering benefits monthly based on requirements to report income monthly. Exemptions and application of the benefit reduction rate to phase out benefits as income increases would be done monthly rather than using annual amounts—benefits would adjust each month.

This option would likely be exercised only by those suffering a significant drop in income. Having opted out, the recipient would not be able to opt back in to CRA delivery until a subsequent tax filing, with CRA benefit delivery taking effect in the subsequent July, as with other refundable tax credits. This would avoid overpayments that become repayable and allow for responsive benefit delivery during periods of instability, at the cost of monthly reporting and benefits varying with monthly income. Such an approach would be subject to federal agreement.

Unless the income tax system is reformed to be more responsive (see Recommendation 55), it is unlikely that CRA benefit delivery would be an appropriate approach for the TUV group, which would by default continue to have benefits provided by the ministry. The fact that the ministry would continue to provide monthly ETW and TUV benefits means that the infrastructure would be in place to deliver responsive benefits to SPD/MPD clients who opt out of CRA benefit delivery.

### **Benefit levels**

The current PWD maximum benefit amount (G), set in 2019, is \$14,201 if received for a full year (this does not include the temporary COVID-19 top-up of \$300 per month,<sup>106</sup> which annualized would make the rate \$17,801). Even leaving out the extra expenses associated with the person's disability, this leaves recipients with no income well below the Market Basket Measure (MBM) poverty line of \$19,128 (for towns with populations of 30,000 to 99,000 in B.C.) or \$21,807 (for Vancouver).<sup>107</sup> In comparison, the maximum combined OAS/GIS benefit including the B.C. Senior's Supplement is \$18,950.52 as of

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<sup>106</sup> Note that the top-up amount is set at \$150 per month for January–April 2021 in conjunction with the B.C. Recovery Benefit of \$500 for single adults and \$1,000 for families.

<sup>107</sup> 2016 census MBM poverty lines updated to 2019 using the BC All Items CPI.

June 2020, and the maximum CPP-D benefit, which depends on pensionable earnings over the past five years, is \$16,651.92.

Given that the PWD designation is intended to provide long-term benefits mostly to recipients with little or no income, this amounts to permanently consigning them to poverty. In contrast, a conscious policy decision has been made by the federal government, with supplements from the provinces, to establish an income floor for those over age 65 that is approximately at the MBM poverty line. That is, for seniors who are also long-term benefit recipients, many of whom earn little or no other income, maximum benefits have been set to approximately eliminate poverty. We believe the same should be done for people with disabilities.

Setting the guaranteed income level for a person with persistent disabilities that are moderate or severe and with no other source of income at the poverty line is justified by providing a minimal level of adequacy that gives recipients a modicum of freedom of choice. We feel it is also appropriate to bring people who are temporarily unable to work because of a medical condition, whether the disability is temporary or MMI has not been reached, to the poverty line during this period. Paying them a lower amount than people designated with the other disability statuses would provide an unfortunate incentive to shortchange their rehabilitation in order to be designated with one of the other statuses.

However, we recommend that the benefit amount for those who are in the initial stage of assessing whether they should be given any disability designation should be provided with benefits using the ETW benefit structure. Without this, there would be an incentive for everyone to apply initially to the disability program in order to receive the higher disability benefit amount while being assessed, even if they know the assessment will be negative.

**Recommendation 9 (short term):** Move the monetary benefit for those on Disability Assistance at least to the poverty line by increasing the maximum benefit amount:

- for single people in the Severe-Persistent Disability, Moderate-Persistent Disability, and Temporarily Unable to Work categories by \$500 per month, to \$20,196 annually, and
- for couples and other family types proportionately. For couples in which both people have a disability use a scale factor of 1.41, for an annual benefit amount of \$28,560.

## Part 6: Vision and Recommendations

The recommended low-income housing benefit would be integrated with IA by making it deductible from the IA benefits received, discussed further in Section 5 (Housing Support Reform).

To really avoid poverty, extra expenses associated with each person's specific disability would need to be addressed. We propose doing so through basic services directed at health-care and employment-related costs, discussed in Section 4 (Extended Health Basic Service).

It is worth noting that moving the disability amounts to the MBM poverty line may put it above the amounts under the CPP-D program for some people, depending on their previous pensionable earnings. The province encourages people to apply for CPP-D if they are likely to qualify and pays any top-up to reach the applicable IA benefit payable. (Recommendation 61 is that benefit levels and income exemptions be indexed to inflation using annual changes to the MBM poverty line.)

### **Income exemption and the benefit reduction rate**

In the current system, the annual earnings exemption for DA for a single adult is \$12,000 and will be increased to \$15,000 as of January 2, 2021. For a family with at least one person with a PPMB designation, the monthly earnings exemption is \$700 per month, or \$9,400 per year (increasing to \$900 per month in January 2021). For earnings above the exemption, the benefit reduction rate (BRR) is 100% for both groups.

B.C.'s BRR is much larger than for comparable provinces (in both Alberta and Ontario, the BRR is 50% for the people in the DA components of their systems, and 70% in some other provinces) and for GIS, which has a 50% BRR. High BRRs are typically established, in part, to discourage people who would otherwise work more hours and not qualify for benefits from cutting their work hours in order to qualify. Since those receiving disability benefits have established a medical basis for eligibility, this concern is not strongly relevant in this case. As discussed in Part 3, Section 5 (Income Testing and Effective Tax Rate Implications), and shown by Campolieti and Riddell (2012) in the context of disabilities, a lower BRR provides an incentive for people to work, with benefits for their self- and social respect.

The BRR applies only above the earnings exemption. Earnings exemptions also vary across provinces and programs, and B.C. has a relatively high earnings exemption (some have none). Part 3, Section 5.2 (Income Testing), showed that, for a given break-even (BE) level and maximum benefit amount, the BRR and the income exemption are

related: the higher the income exemption, the higher the BRR required to phase out the benefit by the BE level. In general, a lower BRR has a smaller disincentive effect, but the income exemption can be thought of as a range of income over which the BRR is zero. We are aware of no research on how the income exemption and BRR work together in terms of incentive effects and whether there is an optimal combination of BRR and exemption level, a question that should be explored further as the results of implementing changes are evaluated, in accordance with Recommendation 63.

We therefore believe that as a first step in changing the benefit structure, the income exemption should remain at the amount announced in 2020 to take effect in January 2021 (\$15,000 for singles, \$30,000 for a couple with both people having a PWD designation), but that the BRR be lowered to 70%. Assuming the maximum benefit proposed in Recommendation 9, the BE level for a single person would be \$43,851 and for a couple with both people having a PWD designation the BE level would be \$70,800.

**Recommendation 10 (short-term):** Lower the Disability Assistance benefit reduction rate at which benefits are reduced as income increases from 100% to 70%, and maintain the earnings exemption at levels taking effect January 2021 (e.g., \$15,000 for singles).

## 2.4 Basic services for those with disabilities

### Access to work

The 2016 Expert Panel recommended an Assisted to Work basic service program that provides intensive job supports and accommodation, incorporating both additional specialized staff resources and tangible supports to help people with disabilities work if they choose. A similar program targeting people with disabilities plus youth aging out of care and long-term unemployment is discussed in detail and recommended in Section 6 (Assisted to Work Basic Service).

### Extended health coverage

People with disabilities face costs specific to their disability, such as specific medical equipment and the services of professionals like physiotherapists. Income Assistance health supplements currently provide this type of service to PWD recipients and those who have recently exited to employment. Addressing these needs is important for

actually getting people to the poverty line.<sup>108</sup> However, adverse medical events can detrimentally affect anyone, and those living in or close to poverty can fall into poverty or be unable to escape poverty because of unmet health-care needs, despite universal MSP coverage. In Section 4 (Extended Health Basic Service) we recommend that income assistance health supplements be reformed into generally available income-tested extended health coverage as a basic service across all low-income populations.

### Housing

One marker of the inadequacy of current benefit rates is the extent of problems with housing among people with disabilities. Zwicker et al. (2020b) show that over 20% of people with severe or very severe disabilities are in core housing need, compared to 10% of people without a disability. In Section 5 (Housing Support Reform) we recommend a housing benefit integrated with IA to provide housing support for low-income people with disabilities. We also recommend continued focus on increasing the supply of social housing, including housing that meets the needs of people with disabilities.

## 2.5 Public and community employment

An MPD/SPD designation, by definition, implies limited potential for most to engage in stable, long-term work patterns. People with this designation, however, may well have a desire to make a contribution, gain personal satisfaction, and increase their income and social inclusion through productive work.

For this group and, possibly, some of those with moderate disabilities and some still progressing toward MMI, there should be a community-based program offering employment opportunities. Taking part in those opportunities would likely require considerable supports and commitment from all involved—recipients, supporters, and directors of projects. This and, for some, the Assisted to Work program recommended in Section 6 (Assisted to Work Basic Service) highlights our emphasis on justice over efficiency. It is likely not possible to justify the cost of a jobs program of this type based on expectations that participants will be transformed into independent, tax-paying workers or an expectation that projects will be self-funding. Instead, the opportunity to

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<sup>108</sup> According to Brisebois et al. (2018), “four in ten (38%) persons with disabilities aged 15 years and over who were living below Canada’s official poverty line reported an unmet need due to cost for an aid, device, and/or prescription medication.”

have an ongoing job that contributes to one's community is the outcome itself and the justification for funding the net cost.

One possible model for this is the Community Employment Innovation Project (CEIP), an experiment run by the federal government in Cape Breton in the late 1990s and early 2000s. It involved enlisting a set of six Cape Breton communities to design community projects. IA and EI recipients were then given the opportunity to shift off their regular benefits and instead take jobs with a regular wage carrying out the community-determined projects. The idea of the project was both to develop community capacity and networks and to provide useful work experience (and networking) for those receiving benefits. The approach was based on the communities creating democratically elected boards that were expected to work with the community to develop a strategic plan and a specific set of community projects. Workers in the projects were paid and took part voluntarily, moving off income support or Employment Insurance while involved in the experiment. Most participants' wage earnings were close to what their income assistance benefits would have been. Participants could therefore be paid the minimum wage without considerable extra cost relative to the payments in the existing income assistance system. The successful operation of the CEIP indicates that some portion of those receiving income assistance benefits (at least 20% in the CEIP) would voluntarily take the option to work and contribute to their community rather than just receiving benefits.

This approach not only would have benefits in providing people with meaningful activities, generating improvements for the community, but would be in itself an exercise in community building.

**Recommendation 11 (medium term):** Design and implement a program that funds community groups for projects that provide jobs to people with disabilities (and some other targeted groups), with lower expectations than market jobs, and with wages integrated into their Income Assistance benefits.

### 2.6 Community building

Finding mechanisms through which participants can feel that they have meaningful input into the programs that affect them is important. In the context of DA, this means engaging with the community of people with disabilities when deciding how to design services. It also means helping to set up mechanisms for the community to meet and make decisions.

One possibility is to create more community centres that house practical supports, such as for job searches, but that are also, themselves, where community jobs are done. The goal is to provide the physical infrastructure that can serve as the basis for building and supporting community. CEIP-type decision-making committees and the projects determined by them could be located at the centres.

### Community input

People with disabilities need to be systematically engaged in designing basic services as well as in the cash-transfer adjudication and administrative system. All of these design issues have direct effects on their lives, and they are best situated to know what will work. Any consultation mechanisms need to give the community more than just lip service and to be clearly seen to be doing so by the community.

One intriguing model is the 2019 *National Housing Strategy Act*, as explained by van den Berg (2019):

The *National Housing Strategy Act* creates a Federal Housing Advocate and a National Housing Council to further the housing policy and strategy. Together, the housing advocate and council are mandated, among other duties, to monitor the implementation of the National Housing Strategy; consult stakeholders; study systemic housing issues, including by establishing a review panel to hold hearings; and advise the designated minister on systemic housing issues, including by preparing reports with recommendations for housing matters over which Parliament has jurisdiction. The designated minister must respond to the reports prepared by the housing advocate and review panels and, every three years, must report to Parliament on the effectiveness of the National Housing Strategy. (p. 6)

This approach is rooted in the goal of creating policy to meet Canada's international obligations on housing rights as a signatory to the *International Covenant on Economic, Social and Cultural Rights*. In essence, it gives teeth to those rights, requiring a purposeful approach by the government to honouring them. However, it does not make the rights enforceable in courts, but instead creates a separate adjudication process that addresses systemic issues (as opposed to individual cases). The creation of the council provides a venue for bringing together people with lived experience and people with expertise in the legal context to provide input that can be expected to have impact through the requirement that the relevant ministry respond to reports and



recommendations. There is no requirement for the government to adopt recommendations, but by requiring a response the mechanism serves to establish the notion of the right to housing.

We believe that there is scope for a similar approach in the area of disability supports. Canada (and through it, B.C.) is also a signatory to the UN Convention on the Rights of Persons with Disabilities. A similar structure, with a council and advocate, could operate in this sphere. The council and advocate could be located within the B.C. Human Rights Commissioner's office in order to emphasize the rights-based approach. Recent changes to the B.C. *Human Rights Act* directing the commissioner to examine B.C.'s obligations under international rights conventions are very much in the same spirit as this recommendation.

### 2.7 Addiction as a disability

In a recent public letter, the Canadian Association of Chiefs of Police called for decriminalization of small amounts of currently illegal drugs, arguing that drug dependence should be treated as a public health problem, not a criminal matter. The *Globe and Mail* responded with an editorial backing this position. When institutions such as these see the issue in these terms, there is a clear opportunity to make progress.

A complete plan for addressing addiction and the opioid crisis that is a crucial part of it would involve several parts: decriminalization, the establishment of a safe drug supply (something long advocated by B.C.'s public health officers), and supports for people with drug dependence that recognize addiction as a potentially debilitating condition that circumscribes people's ability to take a full part in society. The latter description fits, in broad terms, with descriptions of disability under IA, where addiction has long been recognized as a source of impairment in the PWD program.

As with other disabilities, addiction can vary from something a person can function with to severe forms that make activities like holding a regular job all but impossible. And as with other disabilities, people with drug dependencies could therefore be triaged into moderate and severe groups. For those with a moderate but persistent dependence-based disability, an Assisted to Work program tailored to them could be possible. For those with severe dependency, public employment would likely function better. Again, the mechanism could be community-based projects that involve jobs and support for work as well as community building.



Addiction had long been recognized as a potential source of impairment for the purposes of PWD, but in the summer of 2019, for the first time, B.C. included addiction as a condition that meets the definition of a disabling health issue for the purposes of PPMB eligibility. So far, this has apparently not led to a material increase in the PPMB caseload—perhaps because many of those involved already had a mental health–related disability designation, or because information about this change has not been fully circulated and understood in the affected community.

We believe that people with addictions and mental health conditions should be fully included in the disability support system, but there is much more involved with managing addictions and mental health issues than just providing income support and in-kind benefits. Harm reduction measures have evolved over time, but further initiatives have been proposed, such as a safe drug supply, and balanced provision of DA to those with addictions, integrated into a full opioid crisis mitigation plan, is important. The sharp spike in overdose deaths since the pandemic began re-iterates the need for such an approach.

**Recommendation 12 (medium term):** Integrate the provision of Income Assistance benefits to people with addiction and mental health issues with the full range of measures addressing the opioid crisis as they evolve over time, with involvement from other social policy areas, such as public health and the justice system.

Since the PPMB designation began to recognize addiction as a medical condition that can result in severe disabilities, in July 2019, there has been low take-up by those with addictions. For both the PWD and PPMB programs, it would be useful to better understand how effectively the IA system currently supports those with addictions and how well it integrates with broader health and other supports for this group.

**Recommendation 13 (short term):** Undertake an independent program evaluation of how Income Assistance supports those with addictions in the context of the full set of supports and approaches focused on this population to inform detailed design of Disability Assistance program reforms.

### 3. Reforms targeting single working-age adults

#### 3.1 Context

In Part 3, Section 2 (Poverty in British Columbia), we examined poverty among different demographic groups. One of the most striking observations from that work was that single working-age adults are the broad demographic group with the highest rate and greatest depth of poverty in the province. Children, seniors, and working-age couples all fare better in terms of poverty and have benefited more from government policy changes in recent years. Our analysis of the current system in Part 4 revealed a significant gap in the system as it applies to this group, in terms both of the inability of the Temporary Assistance component of Income Assistance (IA) and Employment Insurance to protect it from loss of income, and the gaps in services related to basic needs such as housing and health care.

Our overall objective is to move toward a more just society, through a reformed income and social support system that balances self- and social respect. The most salient characteristics identified in our analytical framework and applied in developing recommendations focused on the single-adult demographic group are as follows:

- **Adequacy**—We recommend an increase in transfers through a combination of housing-related policy, extended health benefits, and making the current \$300 COVID-19 emergency top-up to IA monthly benefits permanent. When combined with a reduced benefit reduction rate (BRR), this would provide benefits to people further up the income distribution. We note that how IA eligibility is handled determines how close IA is to a basic income, and gradually relaxing eligibility limits is a potential path toward a basic income. For low-income earners not receiving IA benefits, we recommend an enhanced earnings supplement
- **Access and security**—We recommend removing the three-week job search requirement for IA applicants. This would eliminate some contradictions in the system, making it simpler and enhancing the dignity of those who need to use it. We also recommend keeping case files open for two years for people over age 50 (initially) in order to facilitate their taking jobs, and to provide true security if those jobs end.
- **Opportunity**—We recommend reductions in the BRR for IA benefits in order to reduce effective tax rate barriers to working. We also recommend an evaluation

of the Single Parent Employment Initiative, extending its support of one-year educational opportunities if the evaluation indicates it has been successful.

- **Social connection**—We recommend supports for community engagement and community building. As in our reforms for the Disability Assistance system, we recommend the creation of public/community programs that include jobs that could be taken voluntarily for those on IA for extended periods. These programs would both directly build community infrastructure and give people the opportunity to contribute to their community.

Another element of our framework is the importance of gaining and maintaining public trust. That requires both the people directly affected by a program and others in society to have direct input into policy design, a principle well understood in other social policy areas. This involves a rights-based approach to discussions of changes in these policies and in how those discussions are conducted.

### 3.2 Single adult poverty

In order to frame our policy recommendations in this area, it is useful to synthesize our background discussion of poverty in Part 3 with our discussion of the current system and particularly IA in Part 4 to focus on the single working-age adult group, especially those not covered by Disability Assistance and other disability-targeted programs.

As shown in Part 3, poverty rates for single adults are high and persistent, falling from 41.5% in 2006 to 31.4% in 2018, while the poverty rate for single parents fell from 62.3% to 18.6% over the same period. The income and social support system largely supports this group through IA.

In February 2020,<sup>109</sup> 73% of IA recipients had a Persons with Disabilities (PWD), Persons with Persistent Multiple Barriers (PPMB), or Expected to Work—Medical Condition (ETW-MC) designation (Petit & Tedds, 2020g), parts of the system covered under our policy recommendations for people with disabilities. The rest of the cases fit in the Expected to Work (ETW) category, broken down between those with an obligation to seek employment and those designated as Temporarily Excused from Work. Two-thirds of the latter category are single parents, mostly with a youngest child under the

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<sup>109</sup> DataBC: <https://catalogue.data.gov.bc.ca/dataset/bc-employment-and-assistance-program>. We multiply case numbers for couples by 2 to get total recipient numbers.

age of three, a group for which poverty has been reduced by federal and provincial refundable tax credits.

The ETW category is dominated by single males without children (48% of recipients in the category) and single females without children (25% of recipients in the category), accounting for 24% of single men and 18% of single women in the total IA caseload.

From this we can conclude that the reforms to disability-related policies discussed in Section 2 (Reforms Targeting People with Disabilities) have the largest impact on the poverty rate for single adults, but there is a significant minority of the single working-age adults in poverty who need effective non-disability support.

As discussed in Part 4, Section 5.1 (Income Assistance, under Background Patterns), the group of single adults with an ETW designation is characterized by intermittent employment and IA benefit spells, to some extent mitigating Employment Insurance (EI) system inaccessibility for those with insufficient hours of work. The policy reforms for the ETW category need to provide dignified supports for long-term repeat TA users, including design elements and options that support choices to work when work may be sporadic for the foreseeable future. The COVID-19 pandemic has shone a light on the extent of precarity in employment that has existed for a long time in the B.C. workforce, as discussed in Part 3, Section 4 (Labour Market Trends). Helping workers between employment spells—especially employment spells that do not qualify for EI—is an important goal in its own right that could be partly met through short-term IA benefits. The use of short-term IA benefits will be lessened to the extent that the federal government extends and strengthens the EI program.

There is also a significant group of low-income earners who rarely qualify for IA and who are in or near poverty despite working 40 weeks or more per week. This group could be most effectively assisted with an enhanced earning supplement program that augments their wages and provides incentives to remain in the workforce.

### **3.3 Temporary Assistance eligibility**

Part 4, Section 5.1 (Income Assistance), outlined the eligibility requirements for Temporary Assistance (TA) and discussed how those eligibility requirements contribute to the welfare wall. Consistent with the funder-of-last-resort principle underlying Income Assistance, eligibility requirements related to the mandatory job search, income test, and asset test act to limit eligibility to those in the most desperate circumstances. Other eligibility requirements put in place in 1996 and 2002 to reduce the caseload have been

## Part 6: Vision and Recommendations

adjusted in reforms introduced since 2017, such as the requirement to demonstrate two years of financial independence prior to being eligible for IA.

The discussion in Part 4 pointed out that these eligibility requirements not only act as a barrier to entering the program but also act as a barrier to exiting the program once a person is receiving benefits. Eligibility combines with the benefit structure, the need to re-establish eligibility after exiting IA, and the loss of basic services available only to those receiving IA benefits or those who have recently left, to erect a substantial barrier to exit.

In our view, reducing these barriers to TA is the best way to provide better coverage for the single adults we have been discussing, within the context of our analytical framework, as such changes would improve accessibility, respect, and stability. The result would be to make it easier to both gain access to TA and exit the program for work, a further move in the direction set by IA reforms since 2019. We believe that a focus on both entry and exit, together with EI reform that is already underway, and post-pandemic recovery will prevent the caseload from becoming unacceptably high, as it did in the mid-1990s. Nevertheless, there is a trade-off between accessibility, adequacy, and stability on one hand and public trust on the other. Our recommendations will clearly impose a fiscal cost, although much more manageable one than any comparable basic income alternative.

### **Job search requirement**

The first step in establishing eligibility is to have completed a three-week job search requirement (or have it waived). This step has the potential to look at best counterintuitive and at worst punitive, given that in the second assessment stage the applicant may be deemed not to be job ready. Indeed, the majority of IA cases appear to be designated as not close to job ready. This may reflect actual job-ready applicants finding work during the three-week search, but it is not a reason to deny support to them during that search. It is possible to receive hardship assistance in that period if need can be proven, yet another eligibility adjudication process.

In our view, eliminating the three-week search period would close a gap in support, starting those who need it on a job-readiness program faster and supporting those who are job ready while they search. Of course, the cost would be the benefits paid to both groups during that three weeks. In addition, some of those who take jobs quickly during the three-week search period because of their lack of income might search for longer when on benefits. It is hard to know the extent of any such behavioural response, but its

costs could partly be offset by the job seekers being able to take the time to find a better job. Such a change might also draw some job seekers into the system who are not currently applying for IA.

This reform would also help the long-term, repeated users of the IA system who currently have to go through a three-week job-search period each time they reapply if their intervening job lasted more than six months, incentivizing shorter-duration job spells. At the same time, concern over the three-week job search without income support may keep some individuals receiving IA benefits from taking up job offers since in the low-skilled labour market those jobs are likely not to be permanent, good jobs.

**Recommendation 14 (short term):** Eliminate the three-week work-search requirement by combining the current Stages 1 and 2 in the application process. Applicants should be immediately assessed for job readiness and moved onto employment plans to help with job preparation while receiving benefits. Those deemed job ready should be given immediate, lighter-touch support while also receiving benefits.

It is possible to envision an arrangement in which the federal government ultimately pays benefit amounts for all unemployed people and others needing cash-transfer support, through a combination of an expanded EI and other new programs, while the provinces focus on providing basic services. Older, long-duration unemployed single adults are a prime example of where coordination is needed.

**Recommendation 15 (short term):** Engage in immediate talks with the federal government around reforms to the Employment Insurance system and broader supports that are likely to arise as Canada emerges from the COVID-19 pandemic. The goal would be to create an integrated system with a clear statement about which program and level of government is helping which population group.

### Income test

Currently, IA recipients are required “to pursue, accept, and use all other income to support themselves before receiving assistance,” and there is an income test to determine eligibility.<sup>110</sup> The definition of income for this purpose is a long, comprehensive list of income sources, indicating which are included and which are

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<sup>110</sup> <https://www2.gov.bc.ca/gov/content/governments/policies-for-government/bcea-policy-and-procedure-manual/eligibility/income-treatment-and-exemptions>

exempt for income-testing purposes.<sup>111</sup> As with Disability Assistance, discussed in Section 2 (Reforms Targeting People with Disabilities), to be eligible for Temporary Assistance, non-exempt monthly income must be below the payment the applicant would receive from IA (i.e., the regular monthly cash benefit).

Among our recommendations in Section 3.4 (Benefit Structure) are an increase in the base benefit amount for ETW and a reduction in the BRR applied to income above the earnings exemption, so recipients with monthly income up to about \$2,000 (the break-even level) will receive some IA benefits.

The choice of income test for TA eligibility is similar to that described in relation to DA. While three options were discussed for DA, only two apply to TA: using the maximum benefit amount as the income test level (as at present), and using the break-even level.

Using the break-even level would make TA more like a basic income and would reduce a barrier to both access and exit, making it easier to leave because it would be easier to get back in. Using the maximum benefit as the income test instead means the IA system is more like an insurance system that individuals access when their earnings fall to a particularly low level in a month.

Using the break-even level would make all households with monthly income between the maximum benefit plus the earnings exemption (approximately \$1,500) and the break-even level (\$2,000) eligible in terms of the income test. This would be quite expensive but would have enhanced poverty reduction effects. It would also generate other fundamental changes in the system. The non-disabilities part of the current system is dominated by the ETW stream, and it focuses on job search and improving job readiness. Given the low benefit rate, low earnings exemption, and 100% BRR, this is reasonable: the people who are receiving benefits under such a system will tend to have low or sporadic employment. But the break-even level in our proposed system is approximately 20% above the MBM poverty line, and if eligibility is based on that level then the system will include people with much greater work attachment. In our analysis of single adults living below the poverty line (in Part 4, Section 5.1, Income Assistance), we noted that approximately 20% of this group works more than 40 weeks a year—the majority of them at full-time hours, so job-search and job-readiness requirements would not be relevant. Instead, the IA system could become both an income support program

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<sup>111</sup> See Section 11.3 (Income Assistance Cross-Cutting Reform) for discussion and a recommendation on the income definition.

and a gateway to targeted training programs. Given that the full-year workers with earnings near the poverty line are disproportionately females in sales and service jobs, and that we know from COVID-19–related events that these tend to be jobs with poor working conditions, the IA system could make it less risky for these employees to complain to the labour regulator to enforce employment standards, as discussed in Part 4, Section 5.7 (Labour Market Regulation). In Section 10 (Labour Regulation), we make recommendations to improve labour regulations to reduce precarious employment and poverty among those with jobs. We also recommend an earnings supplement scheme in Section 3.7 (Earnings Supplement) that targets low-income earners with substantial weeks of work during the year.

We believe that it is best to proceed in stages. In the first stage, increase access and benefits but maintain the income test at the maximum benefit level. This would allow an investigation of any issues that might arise from increasing accessibility, enhancing benefits, and making health supplements more generally available to reduce the welfare wall. In a future stage, moving the income test to the break-even level would effectively create a combined basic service/basic income system. The move to that system could be done gradually by raising the eligibility line from the basic grant value to the break-even level of income.

As we have discussed in other parts of the report, we believe that a basic income will only work if it is part of a complete system, including support for transitions out of care for youth, a safe drug supply, and effective labour market regulation. A purposeful but gradual approach allows for all of the supporting infrastructure to be built along the way.

**Recommendation 16 (short term):** Initially, continue to use the maximum benefit level as the income eligibility test for Temporary Assistance.

**Recommendation 17 (medium term):** Gradually raise the income eligibility test amount, eventually reaching the break-even income level, learning from experience to adjust the system along the way.

### Asset test

In the current system, applicants must also have assets below specified limits for TA, similar to the DA asset test, as discussed in Part 4, Section 5.1 (Income Assistance). Assets include cash, equity in property, investments, or other financial instruments, but there is also a long list of exclusions and exemptions. A single adult cannot have non-exempt assets over \$5,000, and a couple or single parent cannot have non-exempt



assets over \$10,000—much lower than the DA thresholds, which are high enough to effectively not matter in practice for most applicants.

The main argument in favour of an asset test is that it ensures that people exhaust their available resources before turning to the government, consistent with the funder-of-last-resort principle. The arguments against the asset test are:

- eliminating tests makes the system easier to understand and to implement
- such tests are intrusive and stigmatizing
- the test forces recipients to liquidate and use assets, with potentially adverse long-term consequences

The Guaranteed Income Supplement does not have an asset test, and asset tests have been eliminated in income support programs in a number of U.S. states.

There is very little relevant empirical evidence on the impact of removing an asset test (Petit & Tedds, 2020g). Evidence from the American welfare systems indicates that relaxing asset tests related to vehicles (already exempt in B.C.) leads to an increase in vehicle ownership, while relaxing tests related to liquid assets has insubstantial effects on holdings of those assets. There is no credible evidence for Canada on whether eliminating the asset test would lead to a substantial increase in the number of people receiving IA.

We believe that eliminating as many barriers to access as possible will improve the effectiveness of the TA program and its alignment with our analytical framework. On balance, the substantial reduction in complexity and reporting combined with benefits from any asset accumulation among people with low incomes support the elimination of the asset test for TA. (This is a somewhat different rationale for eliminating the asset test than the one discussed for DA in Section 2.2, Eligibility Reform.)

<b>Recommendation 18 (short term):</b> Eliminate the asset test for Temporary Assistance.
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### Streamlined reapplication

In Part 4, Section 5.1 (Income Assistance), we discussed the barrier to exiting IA for work caused by eligibility requirements that make the prospect of having to reapply for benefits uncertain and financially less attractive in many cases than simply staying on IA. Under the current system, a case is closed either if the recipient requests closure or if there are two consecutive months in which no cheque is issued (which can happen if

the person has earned enough to no longer qualify for benefits). To regain benefits there is a six-month period during which a streamlined application process applies but some of the eligibility requirements continue to apply, such as the full income and asset tests discussed earlier in this section. Applicants returning under the streamlined application process are not required to complete a three-week work search. Respondents to outreach from the Poverty Reduction Initiative confirm that the complexity of and uncertainty about even streamlined reapplication provides recipients with an incentive not to work as much or at all, out of fear of losing access to benefits (Hertz et al., 2020).

As described above, there is a pattern of long-term repeated TA use. We believe that the system should respond to long-term repeated TA use by recognizing both these users' evident efforts to work and the irregular and temporary nature of their job options. Rather than pretending that work supports will move them permanently off IA benefits and into lasting employment spells, the system should be set up to facilitate re-access. Doing that will encourage people to take jobs by reducing the reapplication risk, creating a sense of security through the knowledge that the backstop of TA is readily available.

The EI system has a mechanism for "Working While on Claim" that allows recipients to extend their eligibility period when they take on paid work. This will not work for the IA system, since it does not have fixed eligibility periods. The alternative in the TA context would be to maintain the streamlined ability to reapply that is currently in place open for a longer period of time and, crucially, relaxing the income test during that period—effectively keeping the case open. The recommended elimination of the asset test (Recommendation 18) and the removal of the job search requirement (Recommendation 14) increase accessibility generally, including for former recipients, but we believe that the clear signal of keeping a case open longer is important to reduce the welfare wall's barrier to exit.

Keeping cases open longer could also reduce administrative costs associated with people who make repeated use of the system and fits with the goal of simplifying the system. That simplification will make the system seem less arbitrary to recipients who fear different decisions when they reapply for benefits. This is in keeping with our goal of enhancing self-respect.

As with Recommendations 16 and 17, related to the income test, we envision this change being undertaken in stages. In the current system, streamlined reapplication is available for only six months and the income test applies without adjustment. Our argument is that this is too short, particularly for long-term repeat TA users over age 50.

At the same time, there could be concerns that younger workers would be induced to develop more sporadic employment patterns if benefit re-entry were too easy. Results in Green and Warburton (2004), examining the effects of a tightening of IA eligibility, indicate that increasing accessibility does not create long-term dependence on benefits among young people. Nonetheless, we suggest a gradual approach, with streamlined reapplication and a relaxed income test (i.e., cases kept open) for two years, applying initially only to recipients over age 50. The impacts of this approach could be evaluated and, based on that evaluation, a decision made on extending the longer case-opening period to younger age groups.

**Recommendation 19 (short term):** Keep the case files of recipients open for two years after income rises above the break-even level for recipients over age 50, allowing streamlined reapplication with the income test threshold set at the break-even level. Consider reducing the age limit in future, based on evaluation of results.

### 3.4 Temporary Assistance benefit structure

#### Benefit levels

Under the current system, maximum ETW benefits for single adults amount to approximately 45% of the MBM poverty line. This is clearly very low as a standard of support for people in need. Relatively low benefit levels are consistent with the funder-of-last-resort principle underlying Income Assistance. They act as a disincentive for people to apply for assistance and as an incentive for people to leave assistance as soon as possible for work. Thus, low benefit rates are not part of the welfare wall. However, they are not consistent with our analytical framework, especially the characteristics of adequacy and autonomy.

The poverty line for a single person in Vancouver is roughly equivalent to the earnings of a person working 30 hours per week (the lower threshold of Statistics Canada's definition of a full-time worker) for 50 weeks per year at the current B.C. minimum wage. Clearly, benefit levels of 45% of the poverty line are well below where they would provide incentives to give up such work. We believe, therefore, that there is room to increase IA benefits and that this should be done to move toward meeting the adequacy requirement of a just system. The exact level to choose is, admittedly, arbitrary, but the COVID-19 pandemic has presented a natural focal point: making the \$300 COVID-19 top-up to IA payments permanent. For single ETW benefit recipients, this would imply a

benefit at approximately 63% of the poverty line (and of the associated level of earnings from full-year, full-time, minimum-wage work mentioned above).

**Recommendation 20 (short term):** Make the \$300 per month COVID-19 emergency increase in Temporary Assistance benefits a permanent increase.

For the sake of planning for the people receiving benefits and to maintain adequacy levels, benefits need to be indexed to inflation. Recommendation 61 would index all benefits to movements in the MBM poverty line, which is in effect an inflation index based on spending patterns and prices for people at or near poverty level incomes.

### Earnings exemptions and BRR

In Part 3, Section 5 (Income Testing and Effective Tax Rate Implications), we set out a general approach to the parameters associated with income testing. In Part 4, Section 5.1 (Income Assistance), we discussed how income testing together with other design features of IA combine to create a welfare wall intended to limit access to IA but that equally makes exit from the program difficult.

Under the current system, single adults have an earnings exemption of \$400 per month—that is, a person can earn up to \$400 in a month without any reduction in their IA benefits. For single parents, the exemption is \$600 per month.<sup>112</sup> For earnings in excess of the earnings exemption, IA benefits are decreased dollar for dollar, a 100% BRR. The BE level for a single person on TA is the earnings exemption plus the maximum benefit, currently \$1,160 per month, assuming full shelter allowance.

The 100% BRR is effectively a 100% tax on additional income above the exemption, by far the highest tax rate faced by anyone at any income level in our tax system (Milligan, 2020). Its existence implies that IA is a perverse system in which recipients are “expected to work” and given job-search and job-readiness supports but then face a 100% tax rate on earnings when they do work. As discussed in Part 3, and in Section 2 in relation to Disability Assistance, lowering the BRR is expected to encourage some TA recipients to accept work, especially in conjunction with our eligibility recommendations.

A reduction of the BRR is also consistent with our justice-based perspective. A 100% BRR effectively tells people on IA that their work is not required in the paid sector (even while they are being required to look for work). A lower BRR fits with providing a greater

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<sup>112</sup> These exemptions will be increased to \$500 and \$750 per month, respectively, in January 2021.

opportunity for them to incorporate paid work, with its accompanying enhancement of self-respect.

**Recommendation 21 (short term):** Lower the rate at which Temporary Assistance benefits are reduced as income increases from 100% to 70%, and maintain the earnings exemption at levels taking effect in January 2021.

Combined with our recommended increase in the basic benefit amount and upcoming increases in the earnings exemption, this implies that single adults with earnings up to \$2,014 per month (\$24,171 on an annualized basis) would remain eligible for benefits. For comparison, the break-even level is about 26% above the MBM poverty line of \$19,128 for towns with populations of 30,000 to 99,000 in B.C., or 11% above the poverty line of \$21,807 for Vancouver.<sup>113</sup>

### Non-cash supplements

The current TA program has supplemental benefits for health-related supports, including emergency dental work, glasses, and nutritional supplements, with more extensive health supplements available to DA and PPMB recipients and children. In Part 4, Section 5.1 (Income Assistance), we pointed out that these benefits are also part of the welfare wall because the loss of these benefits reduces the attractiveness of leaving IA for work. In Section 4 (Extended Health Basic Service), we recommend that these supports be made generally available on an income-tested basis rather than being limited, for the most part, to IA recipients.

We see it as crucial to coordinate those steps with the move toward increasing access to and the adequacy of TA benefits, because otherwise health supplements limited to those on IA will become the main remaining component of the welfare wall.

### 3.5 Training support

A key difference between a basic income and IA, even after accessibility is increased by reforming eligibility requirements and adequacy is addressed by changing the benefit structure, is that basic income is strictly a cash-transfer concept, while IA integrates services with cash support. One of those services is employment assistance provided through WorkBC.

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<sup>113</sup> 2016 census MBM poverty thresholds updated to 2019 using the BC All Items CPI.

Self-respect and resilience can be better supported, in part, by providing people with more opportunities to improve their education and training. The Single Parent Employment Initiative allows single parents to keep their IA benefits at their current level for the duration of an education program of up to 12 months duration. Given the relatively low education levels of many ETW benefit recipients, the focus on 12-month programs is likely appropriate. We believe this program, which is funded through the Labour Market Development Agreement between Canada and B.C., should be evaluated. If it is proving successful, then it should be extended to all ETW recipients.

**Recommendation 22 (short term):** Evaluate the Single Parent Employment Initiative. If it is increasing education levels and post-education employment, earnings, and self-respect, expand the program to offer it to all recipients of Expected to Work benefits.

### 3.6 Public and community employment

Another extension of current employment-related services is that long-term recipients of ETW benefits could be offered opportunities to take part in public and community employment projects, as discussed in Section 2.5 (Public and Community Employment) and Recommendation 11. The general idea is for community organizations to generate project ideas for local improvements, applying to government for money to fund work on the projects.

This approach would have multiple benefits, including providing people with meaningful activities and generating improvements for the community, and would be in itself an exercise in social inclusion with community building. Basic income proponents often argue that basic income cash transfers would support and recognize non-market work, but we believe a community employment plan would do this much more directly, and could be made available to long-term TA benefit recipients as well as people with disabilities.

### 3.7 Earnings supplement

Another approach that could be designed to benefit single adults would be an earnings supplement program, as discussed in Part 4, Section 5.8 (Earnings Supplements).

Earnings supplements offer an attractive way to reduce the rate and depth of poverty for low-income earners who are not IA recipients. They reward work, help reduce the welfare wall, and enjoy wide public support. They also promote self- and social respect and reciprocity, characteristics of a more just society. Well-designed earning

supplement programs that provide adequate benefits could be particularly beneficial for the B.C. group with the highest poverty rate, childless single workers, who receive very limited benefits from other programs. Earnings supplement provisions in the United States have proven effective in reducing poverty and in raising labour force participation of low-income earners (Kesselman, 2020a; Petit & Kesselman, 2020a). However, the scale and cost of the U.S. program is far larger in relative terms than the current Canadian federal and provincial counterparts, and unconditional cash transfers in the United States are much smaller than in Canada. Currently only a small federal program, the Canada Workers Benefit (CWB) provides any earnings supplement for B.C. workers, and it is particularly limited for childless single persons.

Our analysis suggests that for IA beneficiaries the existing earnings exemptions plus a BRR reduction would have a more salient effect on work incentives than refining or targeting earning supplement provisions for that group. The immediacy and transparency of a reduced BRR based on monthly income reporting under TA are more effective than retaining a 100% BRR and partially offsetting it through an earning supplement provision that may be delayed in its ability to respond to earnings variations. We have therefore recommended a reduction in the BRR to 70% for IA beneficiaries, but that will not help low-income earners not receiving IA benefits.

The CWB has modest expenditures for B.C. workers, at just under \$300 million annually. Its maximum annual benefit per childless single worker is just \$1,381, which is about \$1,000 less than for couples (regardless of children) and single parents. A majority of beneficiaries are unattached single persons with a heavy tilt toward those under age 30. Low-income earners in B.C. who are independent of IA typically work more than 40 weeks per year at low wages; they are disproportionately single women employed in the service sector (Green, 2020a). The basic CWB therefore offers very limited assistance for the group of low-income earners most in need of support in B.C., although it could serve as a platform for the province to expand earning supplement provisions. Federal administration of the CWB as a refundable tax credit could also be a convenient mechanism for a province to enhance the benefits.

The federal government gives each province an option to “reconfigure” the CWB on a cost-neutral basis, which allows for variations in the benefit structure for workers in that province. Based on simulations undertaken for the panel (Petit & Kesselman, 2020b), we find that reconfiguration alone would offer B.C. little scope for poverty alleviation. Because of the cost-neutrality constraint, the small gains achievable for some groups would simply be a shift that had to be offset by losses for other groups; single workers

could gain only at the expense of couples and households with children. Our simulations confirm this expectation, with the feasible gains for single childless workers very limited.

We can also draw on extensive simulations of alternative provincial variations to augment the CWB (Petit & Kesselman, 2020b), summarized in Part 4, Section 5.8 (Earnings Supplements). Of greatest interest are the results based on a combination of reconfigured CWB with B.C. top-ups targeted for maximum benefits at annual earnings of \$18,000. The CWB reconfiguration is, by construct, costless to the province, while the top-up would cost B.C. an estimated \$400 million annually. These top-ups are designed to augment benefits for childless workers (singles and couples) but leave single parents and couples with children essentially unaffected. For the proposed policy design, the number of single adults in poverty could be reduced by an estimated 9%, or about 18,000, with many more having their depth of poverty reduced. The suggested B.C. earnings supplement would more than double the current \$300 million of CWB payments currently going to B.C. residents, mainly single childless workers.

In terms of the structure and administration of a provincially augmented earning supplement program, B.C. would do best to adopt a refundable tax credit format and CRA operation. The benefits of this approach are simplicity, automatic enrolment and payment to all eligible persons filing tax returns, and low administrative cost. Alberta's earnings supplement program uses the CRA for benefit assessment and payment; Quebec's earnings supplement program does the same, using the province's tax office. The only potential drawback of using a refundable tax credit structure with CRA administration is the slow responsiveness of benefits to earnings variations and thus lower salience for beneficiaries. However, Green (2020a) finds that workers with earnings near poverty thresholds tend to have earnings consistently year after year, so that responsiveness may not be a material concern.

**Recommendation 23 (medium term):** Expand earnings supplements targeting low-income-earning adults with no children, using a revenue-neutral reconfiguration of the Canada Workers Benefit combined with a provincial top-up delivered as a refundable tax credit administered by the Canada Revenue Agency.



## 4. Extended health basic service

As discussed in Part 4, Section 2 (Defining the B.C. Income and Social Support System), B.C. has a broad set of universal basic services, coupled with cash transfers and income-tested services in its income and social support system. Health care—related programs form a large part of this web of available services. The province’s Medical Services Plan (MSP) has wide coverage of physicians, laboratory tests, surgeries, and services provided in hospitals. While those benefits are provided universally and most drugs are partially subsidized through Fair PharmaCare, the B.C. medical and health-care system has major exclusions. Key omitted areas are dental care, professional health-care services (e.g., physiotherapy),<sup>114</sup> most medical supplies, and equipment such as eyeglasses and wheelchairs.

Beneficiaries of Income Assistance (IA) are entitled to fairly extensive coverage of most of the items that are not covered by MSP, although there are fee limits, barriers to access, and what appear to be caseworker and medical practitioner discretion in the approval for some items. In 2019/20, the budget for IA general and health supplements totalled \$380 million, and health supplements were likely the larger component.

Other low-income people not receiving IA benefits have much narrower access to these medical, dental, and health benefits, through MSP supplementary benefits and the Healthy Kids Program, discussed in detail in Part 4, Section 5.2 (Health-Care Services). Unlike higher earners, very few low-income earners have access to medical or dental insurance through work.

Access to a much wider range of health-care services, dental care, and medical devices is needed for the entire low-income population—and not solely those on IA—to help them cover their individual costs and escape poverty or prevent them from falling into poverty because of health-related issues and costs. Broader coverage will augment employability for many low-income people and thus reduce reliance on IA and other public benefit programs.<sup>115</sup> Access to many of these services is a primary requisite for the personal dignity dictated by our principles for a just society, and a component of having true autonomy. As noted in Section 3 (Reforms Targeting Single Working-Age Adults), the fact that IA health supplements are limited to IA recipients acts as a barrier

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<sup>114</sup> Except for the limited coverage provided by MSP supplementary benefits—see Part 4, Section 5.2 (Health-Care Services).

<sup>115</sup> For example, Glied and Neidell (2010) find that fluoridation of water when a person is young leads to increases in adult earnings for women from low socio-economic backgrounds.

to leaving the program. This issue would be resolved with a generally available, income-tested, extended-health basic service. This reform was also recommended by the 2016 Expert Panel whose work contributed to our recommendations in Section 2 (Reforms Targeting People with Disabilities).

We recommend moving toward the goal of accessible health supplements for all low-income households in steps. The first step would be to move administration of extended health coverage into a separate agency. The new agency would administer IA health supplements, MSP supplementary benefits, and the Healthy Kids Program, which would initially remain separate. The agency would operate under clear and transparent rules for access and covered services, and disability assessments would be done by staff trained in extended health benefits administration. Even with covered services and devices differing by IA status, this would be a constructive first step toward a fairer, non-stigmatizing administrative system.

Subsequent steps would involve extending particular parts of what is covered for IA recipients to the wider, low-income population. A high priority for immediate extension of coverage would be basic dental services for more low-income adults. Basic dental services are now available only for PWD and PPMB recipients and children of low-income families (through either IA or Healthy Kids). Poor dental care can produce barriers to employability as well as wide-ranging, long-term adverse health impacts, such as inflammation-inducing strokes and coronary disease.<sup>116</sup> Missing or unsightly teeth can also affect self-image and thereby a person's sense of dignity.

Various methods for extending these health benefits to a wider low-income population based on low income and not IA status have been assessed by Kesselman and Mendelson (2020). The income-related benefit schedule used by B.C. Fair Pharmacare might pose a worthwhile model to pursue.

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<sup>116</sup> Relevant studies include Blomquist and Woolley (2018), Singhal (2015), and Wallace (2010).

**Recommendation 24 (medium term):** Establish an income-tested extended benefits system for all low-income households and individuals regardless of their Income Assistance status, with the following features:

- phased implementation, starting with joint administration of IA health supplements, MSP supplementary benefits, and the Healthy Kids Program
- benefits administered independently from IA through a dedicated extended health benefits administration agency, and ultimately funded separately from IA
- expansion of coverage to a wide range of medical and health services, supplies, and devices, with standardization of dental services a priority
- reduction of extended benefits coverage as income rises, using an approach similar to Fair PharmaCare (i.e., there would be no deductible or co-payment for those with income below the MBM, and recipients' share of costs would increase smoothly with additional income until the subsidy is ultimately phased out)

## 5. Housing support reform

Adequate shelter is a basic human right, one acknowledged in international agreements to which Canada (and through it, B.C.) is a signatory. As stated in Canada's *National Housing Strategy Act* of 2019, "housing is essential to the inherent dignity and well-being of the person and to building sustainable and inclusive communities" (section 4[b]).<sup>117</sup> Adequate housing is therefore a cardinal component of a just set of income and social support programs. Cash support alone does not fulfill the right to housing unless its level is sufficient to secure adequate shelter or unless that shelter is provided through more direct policies.<sup>118</sup> Moreover, maintaining inclusive communities in which people can live where they work requires policy intervention in areas like the Lower Mainland and Victoria. The significance of this point has been highlighted during the COVID-19 pandemic by the critical role of low-wage workers.

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<sup>117</sup> Also see the discussion in National Right to Housing Network (2019).

<sup>118</sup> See Kesselman and Mendelson (2020) for elaboration of the human rights and in-kind benefits perspectives on the requisites of a just society beyond cash supports alone.

Identifying when this human right is not being respected is in some ways straightforward—people living on the street are clearly not having their right to housing respected. For many others, housing costs are so high relative to their incomes that, while they may be housed, their housing is not adequate, and it comes at the expense of food security and other shortfalls in meeting essential needs. A common international standard for core housing need is a household spending more than 30% of its regular income on housing, with spending more than 50% defined as severe housing need (Kneebone and Wilkins, 2020).

The B.C. housing policy landscape is as varied as the different levels of housing need in the population and the diverse types and costs of available housing. For the homeless population and people with extreme housing insecurity, the government's purchasing of single-room occupancy (SRO) buildings in recent years and converting hotels to SROs in response to COVID-19 have been significant actions. However, with the latest B.C. Homelessness Count still recording about 7,000 people as homeless—and this is likely an underestimate—much work remains. The extremely high poverty rate among single childless working-age adults is another indicator of unmet housing needs, and indeed this group is disproportionately represented among the homeless.

### **5.1 Income Assistance shelter allowance**

For those receiving Disability Assistance (DA) or Temporary Assistance (TA) benefits, the cash benefit is divided into separate components for support and shelter. The shelter portion is paid only for those who either rent or own a dwelling and requires that the beneficiary document those costs. As Mendelson and Kesselman (2020) report, 68% of Income Assistance (IA) recipients incur rents that exceed their shelter allowance, so they must be dipping into their support allowance or other sources. This situation is not surprising, as the shelter allowance amounts of \$375 per month for a single or \$570 for a family of two are far below median rents for units of the appropriate sizes. The IA shelter allowance clearly falls well short of the rents needed for decent housing in almost any part of the province.

A constructive reform of the provision for housing costs of IA beneficiaries would be to combine the support and shelter amounts into a single sum and to pay the full amount for those who are incurring any shelter costs. In addition, it would move the system closer to the principles of a basic income by increasing autonomy and simplicity for beneficiaries and providing them with freer choice over how much to spend on rent; the current shelter allowance is “use it or lose it.” However, the current low level of the IA

shelter allowance relative to available rents for most beneficiaries would limit their degree of increased autonomy.

New Brunswick and Quebec already pay their IA benefits as one flat-rate sum that combines the support and shelter amounts. Both provinces pay the total benefit without regard to whether the recipient reports any rental agreement or any other shelter costs. That approach would also be an option for IA reform in B.C., and it would make the full benefit available for homeless recipients. It would also be most consistent with the basic income principles of autonomy and simplicity, since it would no longer require obtaining any information or verification on individual rent payments, and it would give all recipients unconstrained choice over the spending of their benefits.

Amalgamating the IA support and shelter benefits would entail a relatively limited incremental cost on account of the small proportion of IA beneficiaries who spend less than the support allowance on rent. Applied to the current system and limiting the full benefit to those who incur some rent would increase program costs by an estimated \$13 million annually; making it available irrespective of any rent paid would cost an additional \$38 million (Mendelson & Kesselman, 2020). Merging the benefits might have other consequences. Landlords who currently charge only the maximum shelter amount might be inclined to increase their rents, knowing that the benefit is delivered as a cash payment. Providing additional cash transfers to homeless people with addictions could also negatively affect them.

**Recommendation 25 (short term):** Combine the support and shelter components of Income Assistance cash benefits into a single payment that is not conditional on having shelter costs. However, if our later recommendation for a B.C. Rent Assist program is implemented, the programs should be integrated by deducting the B.C. Rent Assist benefits from the Income Assistance benefit.

For those who need assistance in managing their affairs, EAWs would retain the ability to pay rent directly to landlords on behalf of recipients and to manage the way payments are distributed to, for example, those who are homeless and have addiction issues, as at present.

### 5.2 Low-income housing supports

In Part 4, Section 5.3 (Housing Programs), we described the current set of housing programs, which includes both supports for low-income people to obtain affordable housing (demand-side supports) and provision of funding to increase the availability of

affordable housing (supply-side supports). The main demand-side programs are the Rental Assistance Program (RAP), which subsidizes rent for low-income families with children; Shelter Aid for Elderly Renters (SAFER), which subsidizes rent for seniors; and Rent Geared to Income (RGI), which subsidizes rent in provincially funded social housing.

We concluded that both demand-side and supply-side programs are required to target those most in need of housing. However, demand-side programs, especially the RGI program, which is linked to provincially funded social housing, is limited by the supply of units, and RAP covers only families with children. As a result, many who would be eligible are excluded because of lack of supply. In addition, lack of integration with IA means that the lack of affordable housing support for some leaving IA for work can act as a barrier to exiting the program.

Stop-gap reforms could be undertaken to address the deficiencies in B.C.'s current demand-side programs. RAP could be extended to include singles and couples without children; RAP and SAFER could have their benefit formulas revised for greater simplicity and adjust their maximums to more realistic levels. Shelter allowances in IA could also be increased to more realistic levels, and they could be made more accessible and flexible for beneficiaries by the types of reforms we have already discussed.

Undertaking such reforms would be relatively straightforward and is clearly a feasible option. The alternative would be a rental assistance benefit that is easier to access and that applies more generally to all those who meet income-based eligibility tests and whose benefit phases out as income increases. We believe that the latter approach would provide a better solution in terms of adequacy, accessibility, respect, stability, and ultimately public trust—all key elements in our analytical framework.

### 5.3 Reforming demand-side supports

Our general approach is modelled on Manitoba's Rent Assist program,<sup>119</sup> which provides low-income renters with a regular cash payment based on their income and family size but unrelated to their actual rent payment. It is therefore a relatively straightforward income-related basic income. In essence, it is in the spirit of RAP—

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<sup>119</sup> For descriptions of Manitoba's Rent Assist program, see Brandon et al. (2017) and Cooper et al. (2020). For analysis of adapting the Manitoba model to B.C., see Mendelson and Kesselman (2020).

expanding its reach to non-seniors without children—but it avoids the complicated incentives and sometimes inequitable patterns of RAP benefits (Mendelson & Kesselman, 2020). Manitoba's program is administered by the province; if possible, a B.C. program should be administered by the Canada Revenue Agency as a refundable tax credit.

Manitoba's Rent Assist program covers the gap between an assumed rental amount and 30% of household income. Instead of using the beneficiary's actual rent payment, the formula uses 75% of a benchmark rent based on median market rent (MMR) for a size of unit appropriate to the household size. For example, the benchmark for a single person is taken to be a bachelor suite, for a couple a one-bedroom suite, and so forth. The benefit formula is structured like a basic income, with a smooth phase-out to a break-even income equal to the maximum benefit (75% of the benchmark rent) divided by the benefit reduction rate (30% or 0.30). This benefit structure removes any incentive for the beneficiary to seek a unit that maximizes their benefit or for the landlord to set rent so as to secure the maximum allowable amount (as in the IA shelter allowance).

Such a program is a targeted basic income rather than an in-kind benefit program because it is not conditional on the recipient paying rent. The in-kind format alters the relative cost of a target item, such as housing, to induce additional spending on it beyond what an equivalent amount of pure cash transfer would induce (Kesselman & Mendelson, 2020). So, for example, an in-kind housing benefit would provide a subsidy based on the beneficiary's income *and* the rent paid for the apartment they choose. In contrast, a cash transfer like Rent Assist would give the person an amount of cash based on their income alone and not related to what they pay in rent. With the in-kind benefit structure, the beneficiary has an incentive to spend more of their income on rent than they would with an equivalent pure cash transfer.

Some cash-transfer programs labelled as having a specific purpose have been observed to induce more spending for that purpose. For example, a study of the impacts of the Canada Child Benefit program found that half of the induced spending by lower-income beneficiaries was on housing (and most of the rest on other items of benefit to their children), even though the cash was unrestricted and could have been spent on anything (Najjarrezaparast & Pendakur, 2020). Thus, much of the increased cash transfers under a Rent Assist program are likely to be spent on housing, even though the benefit per se is not tilted toward housing.

One issue in the design of a B.C. Rent Assist program is whether the benchmark for median market rent should refer to a beneficiary's area of residence or a uniform figure

for the province as a whole. The IA shelter allowance does not provide any regional variation, and RAP and SAFER provide only moderate variation in base benefit levels across three zones within the province. But median rents for a dwelling unit of any given size vary sharply across the province, and some have argued that the adequacy criterion would support the choice of a beneficiary's regional MMR, with such variations instituted in B.C.'s IA program (Kneebone and Wilkins, 2020).

An opposing consideration is that some people at higher incomes will elect to move out of Vancouver or even to another province where they can better afford housing; reciprocity suggests that taxpayers may not wish to pay more to support low-income individuals in their choice to live in high-cost locales like Vancouver. Another consideration is that varying the benefits by local rental rates would provide an incentive for submission of false addresses and thus an intrusive auditing burden. Yet another factor is the high budgetary cost of a housing benefit that could meet the high rents in major urban areas of B.C.

For all these reasons and for simplicity, we opt for a uniform MMR benchmark across the province, which is close to current practice in B.C. programs.

### **5.4 Implications for Income Assistance and existing programs**

A B.C. Rent Assist program could encompass a wide range of existing demand-side housing programs. A person with income below the program's break-even level would file an application. If the program worked like Manitoba's, the benefit would be based on income from the most recent annual tax return. Benefits would then be paid monthly and adjusted only with the next filing of the annual tax return, and they would be paid regardless of whether the person is an IA beneficiary. The system could allow for within-year adjustments of the Rent Assist benefits if a household suffers an income drop. Under the current structure, for IA beneficiaries, the program would be offset dollar for dollar against the shelter allowance portion of the IA benefit. If, instead, our suggestion of rolling the shelter and support allowances into one amount is accepted, then the offset would be against the total IA benefit.

Within a year, when the amount of the Rent Assist payment is fixed, earnings above the exemption level would cause a reduction in IA benefits according to our recommended benefit reduction rate (BRR) of 70%. However, this reduction would only apply to the amount of IA benefits above the Rent Assist payment, since the Rent Assist amount is fixed for a year at a time. This has the effect of greatly reducing the range of earnings



over which the IA BRR is applied before the individual earns enough to leave the system. In this sense, the Rent Assist payment has the potential to have the salutary effect often attributed to a universal basic income: individuals can feel free to take a job without fear that this part of their income will change. Of course, the Rent Assist payment will be reassessed at the next tax filing, implying that its 30% BRR will be applied to earnings, but this happens six to 18 months after the income was earned. We expect that, for most people, this lag is sufficiently long that it may not affect their decision as to whether to take a job and/or to work more hours.

The proposed Rent Assist program for B.C. would be available only for applicants who can demonstrate that they are renters, and it would collect information including their landlord's name, address, and phone number. That information would serve for audit purposes and could also assist in ensuring declaration of rental income for tax purposes. Adults living in the home of their parents, other relatives, or friends and not paying rent would not be eligible for the benefit. Other details of the program design for B.C. could draw on the Manitoba experience.

Doubtless, a move to the proposed B.C. Rent Assist program would face various administrative and policy issues. For example, the full integration of IA beneficiaries with other low-income beneficiaries would have to overcome a variety of obstacles that have already been acknowledged for the Manitoba program. RGI housing arrangements have their own income-related rent subsidies that are a function of both rent and income, unlike the recommended B.C. Rent Assist benefit structure; whether those tenants would be permitted to benefit from both programs is a policy issue.<sup>120</sup> Moreover, a variety of B.C. housing programs operate by public underwriting of certain costs of suppliers, and how the Rent Assist program would affect those arrangements would need to be settled.

The fact that Manitoba's Rent Assist program has survived a change in provincial government and is highly popular attests to its potential political appeal and sustainability in the B.C. context. It has proved particularly effective in assisting low-income single adults, a group that has been underserved by many social programs and for which public support is hard to gain. The fact that the program operates outside of

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<sup>120</sup> Since the B.C. Rent Assist benefit would be insensitive to a beneficiary's actual housing needs and rental requirement, it could not fully substitute for the subsidy component of RGI housing.

the IA program and assists in lowering the welfare wall is another aspect underlying public support.

Finally, we want to emphasize that we do not see a Rent Assist program on its own as a complete answer to housing issues for low-income households. In major urban markets of B.C. with a limited supply of affordable rental units, the increased income from the Rent Assist program could partly be captured by landlords through higher rents. The supply initiatives undertaken by the province and municipalities should continue, though we do not have the expertise to evaluate them. We leave the resolution of exactly how a Rent Assist program would interact with subsidized housing programs for further analysis.

**Recommendation 26 (short term):** Continue expanding the amount of supportive housing targeting individuals with mental health and addiction issues as well as housing initiatives directly addressing homeless persons.

**Recommendation 27 (medium term):** Create a B.C. Rent Assist program as a refundable tax credit, with a benefit based on the difference between a set fraction of the median provincial rent for a household-appropriate unit and 30% of household income for all low-income households that incur rent. For people receiving Income Assistance (IA) benefits, the Rent Assist benefit would displace IA payments dollar for dollar without affecting IA eligibility. The specific details, including the fraction of median rent to be used as the target amount, remain to be determined along with other program design details.

### 5.5 Funding

Given that we are not recommending specific values for the parameters of a B.C. Rent Assist program, we cannot provide reliable cost estimates for the program. However, we can provide cost estimates for a B.C. program with the same parameters as are used in Manitoba's Rent Assist program—in particular, using 75% of median rents for the province. The values for the maximum possible subsidies for different household sizes if the Manitoba program were implemented in B.C. are provided in Mendelson and Kesselman (2020, Table 8). Using those values along with the distribution of household income for B.C. renters calculated from the 2016 census public-use microdata, we can estimate the total that would be paid in benefits under this program. The public-use census microdata includes data on total household income from all sources before taxes and on total market income (i.e., income from sources other than government

transfers). The former encompasses too much, since IA benefits would not count as part of income in the calculation of the Rent Assist benefit, but the latter encompasses too little, since it excludes, for example, Employment Insurance benefits that would be counted as part of income for the calculation. Working with Total Household Income, our cost estimate is \$832 million. Working with Household Market Income, our estimate rises to \$1.25 billion. The administrative costs of the new program should be not much greater than those of the displaced programs. B.C.'s Rent Assist program would be a sizable program but still much less costly than the basic income variants we considered in our simulation exercises.

One natural source to consider for meeting this projected outlay would be in existing housing demand-side programs. The Rent Assist program would replace RAP and SAFER, which together cost \$141 million. Rent Assist benefits would also replace the total cost of IA shelter allowances, although we do not have an accurate estimate of those cost savings. Replacing the RGI program might be problematic because of how that program makes payments to the providers of housing units rather than to the renters who occupy the units. Because of those factors, we can't provide an estimate of net cost of the Rent Assist program, though it would be a significant increase relative to the existing regime.

Another large current provincial expenditure on housing is the home owner grant (HOG), discussed in Part 4, Section 5.4 (Home Owner Grant). This is a provincial grant to most homeowners in B.C. The HOG applies to principal residences and offsets the provincial school tax portion on the property tax bill. The regular grant amount is a flat amount of \$570 per year, with additional amounts for certain regions and classes of owners. The HOG phases out for higher-valued homes, but it is not affected by household income even at the highest levels. The HOG cost the provincial government \$838 million in 2019/20. As detailed in the final report of the MSP Task Force (Tedds et al., 2018), the HOG is an inefficient, unfair, poorly targeted, and administratively burdensome program. In the majority of municipalities, the HOG more than fully offsets the provincial school tax portion of the property tax bill, therefore reducing municipal property taxes as well. The HOG disproportionately benefits middle- and high-income homeowners, neglecting lower-income households who are disproportionately renters ineligible for the HOG. For all of these reasons, eliminating the HOG would be an attractive way to finance the proposed BCRA program or other parts of the panel's recommended reforms.

## 6. Assisted to Work basic service

In the current system, Income Assistance (IA) recipients are classified in tiers based on job readiness. Tier 1 includes people who are deemed job ready and offers supports such as clothing, tools, and transportation supplements for confirmed new jobs, as well as some targeted training for those jobs. People in Tier 2 are near job ready and are offered services such as counselling and some training to get them job ready. People in Tiers 3 and 4 are further from job ready and in need of more comprehensive supports to establish labour market attachment. Importantly, the 2016 Expert Panel pointed out that almost no IA recipients are in Tier 1, 20% are in Tier 2, and the vast majority are in Tiers 3 and 4. Further, access to the supports embedded in this structure, such as clothing and tools supplements, is through a caseworker in a complex system that can feel arbitrary in its decisions (Petit & Tedds, 2020g).

Supporting people with moderate disabilities to establish themselves in the labour market is a costly but important part of helping them secure their sense of self- and social respect. Our proposed Moderate-Persistent Disability (MPD) category would consist of people who have reached Maximum Medical Improvement with a moderate but persistent disability. For this group, the goal would be to provide them with opportunities to work. The 2016 Expert Panel recommended an Assisted to Work program that incorporates both supports in terms of staff time and tangible supports to help people work. These supports may need to be permanent. The goal would be to provide people with the opportunity to experience the dignity of work and to make their greatest contribution to society. The Assisted to Work program would be voluntary—that is, an offered support, not a requirement to get benefits.

The program would be designed primarily for those in the MPD category, but access would also not be limited to that group. The support scheme would include an initial assessment stage followed by development of a set of supports and services to enable participants to engage with the labour market. There would be support in locating appropriate jobs and helping to set up necessary accommodations for disabilities. At least for some participants, attachment to the workforce will require long-term support that is likely best carried out with an assigned caseworker rather than through self-help portals and a varying set of contacts. The 2016 Expert Panel suggested workers' compensation rehabilitation programs as a model, combining management of rehab and work support.

We have also targeted other groups for specific support. Two of these in particular may experience barriers to work that might require the same level of intensive individualized support: youth aging out of care and the long-term unemployed.

**Recommendation 28 (medium term):** Create a voluntary Assisted to Work program similar to that suggested by the 2016 Expert Panel, for people experiencing barriers to employment and who need individualized and ongoing support to achieve labour force attachment—specifically people with moderate and persistent disabilities but also for those with severe and persistent disabilities, youth aging out of care, and the long-term unemployed.

**Recommendation 29 (medium term):** Consider creating a specialized government agency to provide assessment, rehabilitation, and work support services to serve people with disabilities being served by Income Assistance, WorkSafeBC, and ICBC.

We see several advantages to a joint specialized agency providing similar services to different client groups with similar needs. One is the ability to gather and expand specific expertise and specialized facilities in this area—economies of scale. The second is that it would enable the opening of support centres even in smaller communities where none of the three agencies would be able to maintain a centre on its own. The third is that it would reduce any stigma for IA recipients, since they would be part of the same general program as workers receiving WorkSafeBC benefits, even if the programs tailored to them were different.

## 7. Reforms targeting families with children

### 7.1 Background

Children are a central focus of social policy because of their dependence on others and their being society's future adults. The familial, community, and societal conditions in which they develop have a major influence on their physical, intellectual, mental, moral, and productive attributes as adults. Poverty can hinder children's development in all of these dimensions, as verified in extensive economic, sociological, and health research. So it is natural that public policies focus on income, housing, medical, nutritional, and educational resources for families with children.

Past policies at the provincial and federal levels, as well as growing prosperity, have led to significant decreases in poverty rates for families with children, as shown in Part 3, Section 2 (Poverty in British Columbia). Two-parent families now have poverty rates well below the population-wide poverty rate, with the poverty rate for these families in B.C. at 5.2%, slightly below the national rate of 5.4% for this group. Single-parent families have experienced a dramatic decline in poverty rates, from having the highest of all groups, at 62.2% in B.C. in 2006, to 18.6% in 2018. Yet the poverty rate for single-parent families remains high, both in B.C. and nationally, second only to single working-age adults.

Increasing levels and improved targeting of cash benefits have played a significant role in the reduction of child poverty. Rising employment rates for women, particularly single mothers, have also played an important role, likely partly facilitated by cash benefits making child care more affordable. Federal cash benefits have evolved over decades to provide increased support for families with children, with the latest significant reform being the Canada Child Benefit (CCB) in 2016. A study of the impacts of the CCB found that families that rent and have below-median income received an average \$4,300 increase in benefits, of which they spent \$3,000, about half on shelter and one-quarter on food. Their additional spending on clothing was all for their children's needs (Najjarrezaparast & Pendakur, 2020). The added income from CCB thus went overwhelmingly to improving living conditions that benefit children.

B.C. was a pioneer in introducing cash benefits for children outside the income support program with its Family Bonus in 1996. That set the path for the National Child Benefit System and child benefit programs in other provinces in the following years, leading ultimately to the Canada Child Benefit. By 2018, B.C. had become the laggard among

the provinces in its child benefits program, with a relatively low benefit level and eligibility limited to children under age six, while other provinces extended their benefits to children up to age 18 (Kesselman & Mendelson, 2019).

### 7.2 Child Opportunity Benefit refocus

In its 2019 budget, B.C. announced a new Child Opportunity Benefit (COB) that enlarges the payments and extends eligibility for children through age 17; the new program became effective October 2020, as discussed in Part 4, Section 5.6 (Provincial Refundable Tax Credits).

What B.C.'s new program fails to do is target benefits much more effectively on poverty reduction. For a family with one child, the maximum annual benefit of \$1,600 does not fully phase out until their income reaches \$97,500; for larger families, the net benefits are paid at even higher income levels (for four children up to almost \$150,000). That is, the program has a low benefit reduction rate (BRR) of 4% over most of its income range. In contrast, the child benefit programs of the other provinces except Quebec phase out their payments at incomes that are one-quarter to one-half of the B.C. level. The consequence of this limited income testing of B.C. child benefits is that the program has less impact on families below and near poverty levels for its projected \$400 million annual cost (up from \$140 million under the predecessor program) than it potentially could.

Since the COB operates in the shadow of the much larger federal CCB, it is hard to justify the limited income targeting embodied in the COB. The CCB has total annual expenditures of \$25 billion, with about \$2.8 billion going to B.C. families (seven times the COB outlays). The CCB pays much larger maximum benefits to the lowest-income families than the COB does: \$6,765 for a child under six for the CCB versus \$1,600 for the first child and \$800 for the second child under the COB. It also extends net benefits far higher up the income scale than the COB—to \$200,000 for one child under six for the CCB versus \$97,500 for the COB. Since the CCB spends far more on B.C. children and extends to far higher incomes than the COB, there is a strong case for B.C. to recast the COB more as an anti-poverty policy, as the other provinces have already done. In essence, it could be argued that the CCB addresses affordability issues related to caring for children through a broad swath of the income distribution. With the CCB tackling that issue as well as child poverty, B.C. should focus the COB to supplement the benefits for children living below and near the poverty line.

B.C. could easily improve the targeting of its program on people living in poverty simply by increasing the BRR for larger families and eliminating the span of incomes over which benefits are flat. These changes would parallel the approach of other provinces, and the tax-back rates would still be much lower than in the CCB. Kesselman (2020b) assesses the impact of such a reform, showing that it could allow for an increase in basic benefits by nearly 50% without requiring any additional funding. Total benefits for families with incomes below \$40,000 would increase from the status quo \$126 million to \$185 million, with more than half of the gain going to low-income single-parent families. It would still pay net benefits up to incomes of \$73,000 for families with two children and to higher levels for larger families (Kesselman, 2020b). Although better targeting low-income families, it would still deliver money to families above poverty levels.

This example is just one of many possible ways of better focusing COB on poverty reduction. The province could choose to increase the base benefit per child by less than 50%, thereby reducing the total cost of the program, and use the savings to spend on other poverty reduction initiatives. Alternatively, focusing the COB reform on raising base benefits would offer the opportunity for B.C. to replace the limited remaining extra cash associated with children in the Income Assistance benefit structure. That would complete the task of “taking the kids off welfare” and further reduce the welfare wall.

**Recommendation 30 (short term):** Adjust the B.C. Child Opportunity Benefit by both increasing its benefit reduction rate and having it vary with the number of children in the family to better target low-income single parents in a cost-neutral fashion.

Of course, just as the COB could be reformed to better target children living in poverty, so could the much bigger CCB. The B.C. government could lobby the federal government to provide the provinces with greater discretion over the CCB parameters as applied within their jurisdiction on a cost-neutral basis. That change would parallel the flexibility already provided for provinces to vary the parameters of the Canada Workers Benefit.



## 8. Reforms targeting young adults

We will split this discussion into a component examining policies for youth aging out of the government's care and a component focusing on other young adults from low-income backgrounds.<sup>121</sup> Youth transitioning out of care face a set of distinct issues that call for setting up specific supports for them, but other young adults from low-income backgrounds need help with education, and that is the focus of our recommendations for that group.

There are several programs for young adults currently in place; these were described and analyzed in Part 4, Section 5.7 (Youth Aging Out of Care). They include the Agreements with Young Adults (AYA) program; the tuition waiver program, which waives mandatory fees, including tuition, at all B.C. public post-secondary institutions for eligible youth in care and youth aging out of care; and the Youth Education Assistance Fund, which provides grant funding to eligible former children in care who are attending post-secondary education on a full-time basis.

Improving youth transitions involves many organizations, including multiple ministries, Delegated Aboriginal Agencies, and other agencies. Resources and mandates are siloed, and it is difficult for youth and young adults to know how to navigate government resources.

### 8.1 Youth aging out of care

The Ministry of Children and Family Development (MCFD) is responsible for, among other things, supporting children and their families where the safety and well-being of children may be at risk. The stated goal of the ministry is to support families to reduce the vulnerability of these children wherever possible, keeping children safe within their family home environment. If a child or youth cannot stay safely with their family, they are placed in an out-of-care arrangement (e.g., with extended family). If an out-of-care arrangement is not possible, then a child will be “taken into care”—that is, legal guardianship for the child is taken over by the Director of Child Welfare and the child is placed with a foster family, contracted residential agency, or another arrangement. Both out-of-care and in-care arrangements can continue until the youth's 19th birthday, at which point they “age out” of the system.

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<sup>121</sup> Youth are defined as being under 19 years of age and young adults are defined as being 19 years and over.

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One alternative to being taken into care for vulnerable youth aged 16–18 is Youth Agreements. These are agreements that may be entered into with youth who “experience a significant adverse condition such as homelessness, behavioural or mental disorders, severe substance abuse or sexual exploitation *and* they cannot live with their family *and* government care is not the best option” (Turpel-Lafond, 2014). These agreements are for youth with “out-of-care” status, and they specify financial and caseworker supports and a plan for moving toward independence. The initial plan is for three months and is then renewable for six-month spells but, like foster care, ends at the youth’s 19th birthday. The corresponding agreement for youth in care is called an Independent Living Agreement and includes the same components as a Youth Agreement. For simplicity, we refer to both as Youth Agreements.

Approximately 1,000 young people age out of the system each year, including from in-care and out-of-care status. It is important to note that Indigenous children are vastly over-represented. Of the 7,210 children and youth in care in B.C. in 2015, 61% were Indigenous, while only 8% of children under age 18 in the overall provincial population are Indigenous (Shaffer et al., 2016).

There is no government agency with a specific mandate to support youth aging out of the system or who have been under the system’s jurisdiction for significant parts of their childhood. Many youth who are in the system at their 19th birthday have no financial support or family connection. To get support, many of these youth have to turn to the Income Assistance system as young adults. As noted by the former Representative for Children and Youth, Mary Ellen Turpel-Lafond, though, the needs of young people aging out of care are “profoundly different from those of the general population of unemployed adults” (Turpel-Lafond, 2014, p. 29).

The AYA program provided by MCFD supports education, rehabilitation, and life-skills development programs for former youth in care,<sup>122</sup> but there is not a general mandate from government for the ministry to support this group, and the program is not fully funded. Agreements under the AYA program provide maximum financial benefits of up to \$1,250 a month for periods of up to six months at a time and 48 months in aggregate for the period up to the recipient’s 27th birthday. Changes made in 2018 extended the

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<sup>122</sup> Cultural programs are also now included under the AYA life-skills program policy to help Indigenous young adults connect with their culture and traditions.

program's original maximum duration and the maximum age of access, as well as increasing the maximum monthly benefit.

In addition to access to supplemental benefits to pay for extra living costs, such as a baby crib or extra costs for medications, AYA funding can be used to cover monthly living costs, such as rent, transportation, and tuition that is not covered by the tuition waiver program. Several post-secondary institutions, including the University of British Columbia, initially took up Turpel-Lafond's 2014 challenge and made tuition free for former children in care. The initiative has now been extended to all post-secondary institutions in B.C.

There are only a few social workers dedicated to the AYA program for the whole province. Some guardianship social workers and youth workers also participate in administering the program in addition to their caseload of children and youth under 19 years. Seven out of 24 Delegated Aboriginal Agencies also administer AYAs. The AYA program has a component which funds recipients to participate in life-skills programs but there is no direct funding for life-skills service providers. Changes have been made to life-skills programs in response to the pandemic, working to make the AYA program more accessible through low-barrier life-skills programs that also included a component of cultural education for Indigenous participants. COVID-19 emergency measures also included temporary changes to the rehabilitation stream to allow young adults to access AYA funding through a broader range of mental health supports and services.

Take-up rates of AYA are low—only 12% of eligible young adults in 2015 rising to 16% in 2019. Currently 35% of youth who age out of care go on an AYA within 12 months, but this still leaves nearly two-thirds who do not access this program. Moreover, of those who take up the program, 34% are Indigenous and 66% are non-Indigenous—almost exactly the reverse of the composition of the former youth in care population as a whole (Shaffer et al., 2016). AYA support for post-secondary education is particularly unbalanced relative to the eligible population, with the program being heavily and disproportionately taken up by non-Indigenous females, although that has shifted somewhat under the COVID-19 emergency measures.

It is certainly good that such a program is being offered and used, but the numbers point to a large disconnect between the program and the majority of former youth in care. Many require social supports in order to get to the point where they can reasonably consider post-secondary education, life-skills programs only partially provide these supports, and many people require more wraparound support to prepare themselves.

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In addition, failure to succeed in any of the education or program streams under AYA results in loss of support as a breach of their agreement under AYA, and no support is provided to help them try again or try something else. Adequacy could be improved by providing stable, ongoing support in terms of cash transfers and basic services sufficient to meet basic needs for a reasonable period to enable people to transition into independent adulthood.

### Recommendations

The outcomes described in Part 4, Section 5.7 (Youth Aging Out of Care), make it clear that it would be valuable to provide considerable additional resources for young adults who have had previous experience with the child welfare system. Most importantly, this is a matter of justice, and there is room to improve the current program framework in that respect, as established in Part 4.

For these youth to meet our hoped-for goals of self-efficacy and a feeling of social inclusion, they will need support that gains their trust. For them to truly have the same opportunities as youth who did not experience their tumultuous childhoods, the government needs to provide the same kinds of supports that any parent would give to their young adult children. Secondly, given the rates of Income Assistance use and low educational completion rates among these youth, there is surely an argument for later cost savings from investing in them when they are young.

To understand how to address these problems, it is instructive to turn to the voices of the youth themselves and those of people who work with them. The following are some of the quotes gathered from MCFD engagement data received by the Strategic Initiatives Branch between 2018 and 2019:

“We have nobody to help us with anything if we don't have a support worker to help us. We didn't have parents helping us before and we still don't after we turn 19. Funding to help with schooling, activities like going to the gym or a movie, driving lessons - any of that would of course be beyond awesome, but we also really need someone to help us along the way because I have nobody to turn to. I have been lucky to have my support worker but not everyone has one. I couldn't have made any of this progress without my support worker and get to go to college now, but no funding for it because I did not turn 19 in care, but I was in care for 5 years. I wish I could get AYA, that would be so appreciated and helpful, so

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I hope they change their eligibility criteria. I really hope Bridges doesn't go away because I'll be hooped without my support worker.” (Young person)

“Should be more attention paid to mental health, depression and funding issues—AYA should not be just a cheque.” (Young person)

“Program [Agreement with Young Adults] needs to be about more than finance benefit, needs to be a relational program that helps the young person transition to independence.” (Delegated Aboriginal Agency staff member)

“Young people ‘aging out’ require support with life skills, not just financial support.” (Delegated Aboriginal Agency staff member)

And from Doucet et al. (2017)—a collaborative video project with a group of co-researchers who were former youth in care:

“All co-researchers expressed frustration with the cut-off of supports at the age of majority. They emphasized that the lack of guidance and support received during their time in care in preparation for their transition to adulthood negatively affected their lives after ‘aging out’ of the system. Many felt a sense of loss and isolation after leaving care, as they had no continued support system despite still being at risk of experiencing significant difficulties.” (p. 53)

“All co-researchers expressed that the child welfare system’s sole focus on independent living prevents youth ‘aging out’ of care to form lasting and healthy relationships, and forces them into isolation and to grow up too fast. While learning life skills such as budgeting, cooking, and cleaning were deemed important to a young person’s functioning, being connected to others who can provide continuous mentoring, support and nurturing throughout adulthood was considered equally as important.” (p. 56)

These quotes present a common theme: young people aging out of care are certainly lacking resources, but what they need to make any financial resources useful is true personal support and attachment. To us, this is clearly a situation where offering a basic income alone would fall far short of what is needed. What these youth appear to be looking for is not simply independence—financial or otherwise—but the combination of the opportunity to try out their independence with a feeling they have a true base of support that other youth enjoy.

Shaffer et al. (2016) discuss the concept of “connected autonomy” and state that while the system emphasizes independence, “a consistent theme emerging from a broad range of studies: youth aging out of care, while striving to live independently, require social supports and community connections that facilitate relationship-building and improved mental wellbeing, among other important benefits” (vol. 3, p. 20).

Based on this, the Vancouver Foundation’s Fostering Change Initiative argue that “young people leaving foster care should be confident they have at least three things to count on until age 25.

1. Consistent financial support with basic living costs like housing, transit, and food while they attend school, learn skills, and find work.
2. Long-term relationships with caring dependable adults for support, advice, and references, so that they always have somewhere to turn.
3. A chance to connect and contribute to their communities through creative, cultural, and volunteer activities, so that they feel like they belong.” (Shaffer et al., 2016, vol. 3, p. 21).

This way of looking at what is required fits closely with the joint goals of autonomy, efficacy, and social connection underlying our justice-based objective, set out in Part 2, and we agree with Shaffer et al.’s assessment. We recommend reforms in four main areas. Given the very substantial over-representation of Indigenous children, families, and youth in these systems, any change should be done in the context of partnerships with Indigenous communities both on and off reserve. We note that new federal legislation, *An Act Respecting First Nations, Métis and Inuit Children and Youth*, includes national principles and standards, along with providing communities jurisdiction over child and family services. This legislation will change the system for Indigenous children and youth.

### *MCFD resources*

Truly addressing the issues for youth aging out of care requires continuous improvement of the system supporting them before age 19. The existing system seems to be under-resourced to the point where the balance between addressing emergency child protection issues and providing proactive family and child support services is skewed to the former. We are not expert in these systems, and this area is beyond the scope of our mandate, so we don’t provide specific recommendations for change.

Nevertheless, some themes seem obvious. Children (and their families) would benefit from consistent support from one support worker over time, allowing real connections to be made and providing the child with at least one reliable personal connection whatever other tumult they face, if permitted by the resources available. Doing that almost certainly requires substantially increasing the number of staff to the point where their caseloads are small enough that they are able to spend more time with the children in their charge.

**Recommendation 31 (short term):** Increase Ministry of Children and Family Development funding related to child protection and family services, increasing social worker resources with the objective of establishing longer-term continuity of contact between families, vulnerable children and children in care, and ministry social workers.

### *Community support and engagement*

As Shaffer et al. (2016) point out, there is an existing network of community organizations helping youth aging out of care. The government should determine which organizations are being the most effective and provide them with the resources to provide a reliable network of options for these youth. It is important that efficacy should not be measured just in terms of independence-related outcomes, such as education completion, employment, and earnings, but in terms of whether the organizations provide a secure community as a basis for youth to make autonomous decisions (and sometimes fail in those decisions).

There are strong advantages to working with community organizations rather than trying to create a government agency. In particular, the youth can take part in determining the direction of these organizations, enhancing their sense of self-efficacy and giving them a voice in the balance of autonomy and support that is right for them. The organizations also tend to have staff who have lived experience, which makes them a natural source for mentoring. This is important because one key emphasis for the programs should be establishing a stable relationship between the youth and a mentor/caseworker. This is being done successfully elsewhere; for example, Big Brothers and Sisters of Canada has a working relationship with the Ontario government to establish long-term support relationships for youth aging out of care in that province (Rennie, 2016). Although there are community organizations in B.C. that are funded to support former youth in care, they are not funded to support them in transitioning to self-reliance, including transition planning.

**Recommendation 32 (short term):** Provide core capacity funding for the most effective community organizations helping former youth in care—those that provide a secure environment and base of support from which the youth can make autonomous decisions related to outcomes such as education and employment—to create capacity for transition planning and support.

*Educational and life-skills support*

The AYA program includes support for those engaged in post-secondary education and training, which was extended in 2018 to allow for up to 48 months of support in aggregate under Agreements with Young Adults. Many university students take more than four years to complete their undergraduate education, while others may choose to combine both academic and trades training, or to change their educational direction as they search for their best path forward. We also know that former youth in care tend to need more time than others to achieve their educational goals and that it is important to give them the flexibility to fail.

**Recommendation 33 (short term):** Extend the number of allowed months for education and rehabilitation under Agreements with Young Adults beyond 48 months.

The life-skills support component of the AYA program should be expanded. Given the low high school graduation rate for youth in care at age 19 and the trauma they have experienced, a post-secondary academic or trades-training option, or possibly even completing high school, are not immediately accessible goals for many of them. Changes to the non-post-secondary education component of AYA need to be made in consultation with youth, the organizations mentioned under Recommendation 32 and, in particular, Indigenous communities. AYA services have very low take-up rates, suggesting that their current form is not attracting many of the youth who need help, which further suggests that enhancing the range of assistance provided would be helpful.

**Recommendation 34 (short term):** Expand and enhance the life-skills support component of the Agreements with Young Adults program in consultation with affected young adults and organizations that support them.

Our recommended Assisted to Work program (Recommendation 27) will have the ability to provide intensive, customized supports to overcome barriers to work for populations that experience the greatest difficulties in achieving long-term labour force attachment.



In addition to people with disabilities and women escaping domestic violence, we believe that youth aging out of care would also benefit from access to this program.

**Recommendation 35 (medium term):** Make former youth in care eligible for the Assisted to Work program (Recommendation 27), established to provide intensive work supports to overcome significant barriers to accessing good jobs. Design eligibility details in consultation with affected young adults and organizations that support them.

### *Financial supports*

We believe that more readily accessible financial support for youth aging out of care would be beneficial. This set of people is defined by events not under their control that occurred before age 19. Thus, the government can afford to be generous with financial support without concern that such support will draw others into the system. Indeed, drawing more of these youth into support is clearly a goal. About 1,000 youth age out of care each year in B.C., and the vast majority of them do not access the available supports. In addition, 74% of former youth in care receive Income Assistance benefits at some point by age 34. Those who are in the AYA program are currently receiving up to \$1,250 a month in support, so expenditures on transfers targeting these youth will partly replace existing expenditures.

At the same time, encouraging moves toward autonomy is important, and financial supports should be set up to encourage that. Shaffer et al. (2016) recommend a system with gradual reductions in guaranteed payments until age 25, and this makes sense to us. In the current system, access to AYA is restricted to those who were in government care or in a Youth Agreement on their 19th birthday. This cuts out youth who might have been in care earlier in their childhood but happened not to be in care at age 19. We believe extending eligibility to these youth will increase the number of youth eligible by about 10% over the number currently eligible for an AYA.

**Recommendation 36 (short term):** Implement a new targeted basic income benefit for all youth formerly in care, with the following features:

- benefit at least equal to the Market Basket Measure poverty line
- 0% benefit reduction rate
- full amount paid for ages 19–21, reduced by 25% per year and phased out at age 25
- reduction suspended up to two years for education and training

- eligibility for youth in care or in Youth Agreements at 19 or in care for at least two years at a younger age
- entering into a young adult agreement not required for eligibility
- Agreements with Young Adults program adjusted accordingly and accessible to at least age 27, ensuring that current program participants receive at least as much financial support
- **must be combined with community supports (Recommendation 37)**

We cannot stress enough that a guaranteed income without youth-driven community supports is not enough to make a difference. Indeed, it would have the potential to drive youth away from community resources that come with the attachment and social connection they need. Moreover, the youth support workers quoted above expressed concern that some of the youth may not be ready for the responsibility of an income without supports.

The following two recommendations are intended to ensure that participants have at least a minimum reciprocal requirement to engage with these supports enough to understand what is available, and to ensure that the delivery of financial aid and other supports are delivered in an integrated fashion. This may be seen by some as paternalistic, but it is much less so than the requirements now imposed by agreements under the AYA program. Also, while allowing individuals the autonomy to choose what and how much support to utilize, it reflects the importance that they understand the availability of supports for them and that they have every opportunity to access them.

**Recommendation 37 (short term):** Design the financial support program for youth aging out of care so that financial payments and the offered support services would be initiated through a youth contacting one of the service delivery organizations (of the youth's choice) and would involve an initiation session to give the youth information on available supports.

Quite apart from the recommendation to deliver transition support and planning through community organizations, the whole program for former youth in care should be organized for delivery in an integrated fashion so as to avoid barriers to access and stigmatization, including the principle of meeting the young adults where they are. Current programs have low take-up levels, likely due in part to lack of trust among former children in care wanting to separate themselves from the system that formerly acted as their guardian. Instead, these former children in care are now adults and should be provided with services in a way similar to those provided to other adults,

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through a seamlessly integrated approach. It is crucial that reformed supports be designed using a collaborative and consultative process with former children in care and other stakeholders, including youth under age 19, youth-serving organizations, Indigenous communities, MCFD's provincial youth advisory council, and advocacy groups.

**Recommendation 38 (short term):** Establish a specific legislative mandate and funding allocation for a designated ministry or other government agency to support former children in care. Currently, no single ministry has such a mandate, but it is necessary to ensure that all programs focused on this group are designed and administered in a coordinated, seamlessly integrated fashion. This is particularly important because the list of supports is long, including financial aid, life-skills support, education support, social work assistance, and funding for/operations of community organizations providing support. All of this must be based on ongoing collaboration and consultation with former children in care and other stakeholders.

A key input to public trust is cost. What we propose in Recommendations 32 to 38 in terms of creating a wraparound system to help youth aging out of care through the transition to adulthood would cost on the order of \$120,000 to \$190,000 per young adult. These are significant costs, but it is helpful to put them in the context of costs associated with these vulnerable young adults under the current system. As discussed in Part 4, Section 5.7 (Youth Aging Out of Care), the fiscal costs associated with the extremely poor health, justice, education, and financial outcomes that this group experiences are roughly estimated to be \$320,000 per person in net present value terms at age 19. We don't see this as an estimate of the savings that would result from our recommendations, since we do not know what their effects will be on these various outcomes, but it provides context for the spending we propose.

Perhaps more importantly, 31% of the children of people who were formerly in care are taken into care themselves, compared to 1.5% of the rest of the population, and former children in care have much higher fertility rates than the general population. This implies that any cost estimates have to be projected across generations—a particularly important consideration given evidence of strong associations between childhood poverty and health outcomes through the rest of life (Schmidt et al., 2020). There is a clear need to help the families of people formerly in care to escape this cycle. We

believe that if this alone were known, there would be considerable public support for sizable expenditures in this area.

While we recognize that these recommendations will require significant effort and changes to implement, this is an area that we regard as being of high priority; we have therefore put these recommendations into the “short-term” category.

### **8.2 Youth from low-income backgrounds, not in care**

Substantial gradients by family socio-economic status (defined by parental education and income) persist in Canada in high school completion rates, college and university attendance, and college and university graduation (Foley & Green, 2016). These differences in educational outcomes represent a substantial inequality in opportunities and lifetime income between children from lower-income and higher-income backgrounds.

However, eliminating differences is not entirely straightforward because the differences do not appear to be due only to differences in income. Foley et al. (2014), for example, find that the higher dropout rate for boys from low socio-economic backgrounds is largely eliminated once researchers control for parental attitudes toward education. Transfer programs or even free tuition are unlikely to resolve that issue. Indeed, since higher-income families take greater advantage of educational opportunities, policies such as greater subsidization of post-secondary education or universal free tuition may exacerbate rather than reduce inequality in education and income (Foley & Green, 2016).

What is needed are policies targeting children and youth from low-education backgrounds and that not only make post-secondary education more affordable but also help bridge the socio-economic gap in the attention and value assigned to education (Robson, 2017).

B.C. has several initiatives aimed at helping youth from low-income backgrounds choose to access post-secondary education.

The B.C. Access Grant, effective August 1, 2020, will support 40,000 post-secondary students from low- and medium-income backgrounds.<sup>123</sup> It is meant to address financial disincentives for low- and middle-income youth to access post-secondary education.

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<sup>123</sup> See <https://studentaidbc.ca/news/grants-scholarships/new-bc-access-grant>

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The grant amounts to a maximum of \$4,000 per year for educational programs lasting two years or less, and \$1,000 per year for programs lasting four years or longer. It is important that this support be in the form of a grant, since prior research indicates that potential students from low-income backgrounds are less likely to enrol in more education when offered even a low- or no-interest loan than a grant. The 2020/21 mandate letter for the Minister of Advanced Education and Skills Training states that the minister is expected to “Expand the B.C. Access Grant program by increasing eligibility to reduce barriers and make sure more people are able to access the skills they need for the jobs of the future.”

The B.C. Training and Education Savings Grant is a one-time \$1,200 contribution to a child’s Registered Education Savings Plan (RESP) with no matching parental contribution required. It is available to all families regardless of income, though it will be of greater relative value to low-income families. In that sense, it reinforces the incentives in the RESP program, including the Canada Learning Bond (CLB), through which the federal government deposits \$500 in the first year and \$100 in subsequent years in the RESPs of children from low-income households. Importantly, CLB take-up is low. For B.C., only 41% of eligible families take part in CLBs, even though it is essentially free money (Robson, 2017). This fits with Robson’s point that money is only part of increasing educational participation for children from low-income households.

This level of support is well below that in, for example, Ontario, through the Ontario Student Assistance Program (OSAP). Through OSAP a post-secondary student from a family with an income of \$30,000 a year without any other issues or conditions is eligible for \$7,000 in grants and \$7,600 in student loans for a year. The online calculator for the system is clear and shows potential students how the grants plus loans will cover their necessary expenses. The B.C. offerings do not come close to doing so.

B.C.’s support is also offered in a way that has built-in barriers. The B.C. Training and Education Savings Grant has a several-step application process that includes getting a Social Insurance Number for both parents and children, providing proof of residence, filling out an application form, and having that form evaluated by Knowledge First Financial. For low-income families who are uncertain about taking the gamble of sending their child to post-secondary education in the first place, this is hardly a blazing neon sign beckoning them in.

Robson (2017) reviews evidence on policies that have been tried around North America to encourage post-secondary education among children from low-income families and concludes that the most effective policies engage children and their families from the

time children are young. In particular, education bonds that the family owns (but that can only be used for the child's education) can be effective if introduced early in the child's life and if the family and child are clearly aware of their ownership of the bonds. RESPs and the CLB have some of this feature but clearly not in a form that encourages take-up for the majority of low-income households.

**Recommendation 39 (short term):** Implement a \$1,000 B.C. Learning Bond account that is automatically created for children from low-income families at birth or a year after immigration, which can be used only for education.

The bond would be deposited in a notional account and would supplement the CLB so that by age 18, there will be over \$4,000 available to help cover education costs (Robson, 2017). Families should be clearly notified of the bond when it is given, and new notices of the existence and value of the bond should be sent every year. It would be treated as taxable income for the child when used, as for current RESPs.

**Recommendation 40 (short term):** Automatically create a learning bond when children are first taken into care, if a learning bond is not already in place.

As mentioned earlier, engaging children from low socio-economic circumstances in moving to post-secondary education is about more than just money. Several provinces, including B.C., have programs designed to help children understand the opportunities that are available to them, including mandatory high school courses and initiatives undertaken by community organizations. Manitoba's Career Trek, for example, has programs that specifically help low-income children and youth "discover who they are and what occupation they might want to pursue."<sup>124</sup> It emphasizes engaging parents, guardians and extended family in career discussions, since family support is important for success. Robson (2018) reviews the available literature and notes several studies that evaluate these types of interventions and find them effective. These programs tend not to be expensive.

**Recommendation 41 (short term):** Create a B.C. version of Manitoba's Career Trek to support low-income children in moving to post-secondary education and training by encouraging increased family engagement.

Geographic differences also lead to unequal access to education. Rural education completion rates are much lower than urban completion rates, with high school dropout

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<sup>124</sup> See <https://careertrek.ca/about-us/who-does-career-trek-serve/>

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rates in rural areas being about double those in Canadian cities (Uppal, 2017). B.C. has built a web of colleges and universities around the province that, in principle, make it easier for youth from all communities to get a post-secondary education. We believe it would be worthwhile to re-examine that system and its funding to make sure that it is able to deliver on its promise of province-wide access to advanced education, which is also a priority set out in the minister's mandate letter.

Finally, in any tabulation of educational outcomes, Indigenous youth appear as under-represented and lagging behind. Addressing this is the highest priority but requires a process that fully engages the Indigenous communities; we are therefore not in a position to make recommendations on it.

## 9. Reforms targeting people fleeing violence

Although the plight of people fleeing violence has been brought into the public spotlight by COVID-19, it is not a new problem. In 2018, there were 9,161 police-reported female victims of intimate and non-intimate partner violence in B.C., a rate of about 427 women out of 100,000 women, with rates of violence higher in rural areas (Statistics Canada, 2019b).<sup>125</sup> Further, it is estimated that 30%–74% of people who experience intimate partner violence have a traumatic brain injury (TBI; Valera & Berenbaum, 2003). The precise number is hard to pinpoint, as most go undiagnosed, reducing their quality of life and their opportunities to seek improvement in their situation or recovery (Owen, 2019).

### 9.1 Current supports for people fleeing violence in B.C.

The Ministry of Public Safety and Solicitor General allocates over \$40 million in funding for more than 400 victim services and violence against women programs across the province, and provides several other supports to victims through the Crime Victim Assistance Program, Court Support Program, Restitution Program and Victim Safety Unit.<sup>126</sup> Many of these programs focus on providing support, information, referrals, counselling, and advocacy.<sup>127</sup>

While there are programs directed generally at victims of crime, such as the Crime Victim Assistance Program, very few services directly target people fleeing violence. Two such programs are BC Housing and VictimLinkBC. BC Housing is responsible for transition houses (temporary shelter for people fleeing violence) and supports over 100 transition houses, safe homes, and second- and third-stage homes. VictimLinkBC is a toll-free, confidential, multilingual service available across B.C., 24 hours a day, seven days a week, and can be accessed via phone, text, or email. The service provides information and referral services to all victims of crime and immediate crisis support to victims of family and sexual violence, including referrals to government and community-based services and resources. It also provides information about federal and provincial legislation, the Canadian criminal justice system, crime prevention, and safety planning.

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<sup>125</sup> It is important to note here that the vast majority of domestic violence is not reported to the police. Statistics Canada (2016) estimates that 70% of spousal violence is not reported to the police.

<sup>126</sup> See Rossiter (2011) for an overview of community- and government-based supports for women fleeing violence.

<sup>127</sup> See <https://www2.gov.bc.ca/gov/content/justice/criminal-justice/bcs-criminal-justice-system/if-you-are-a-victim-of-a-crime/victim-of-crime/victim-services-directory>



However, there are no government-provided income support programs specifically for people fleeing violence, although Income Assistance (IA) does have specific provisions to accommodate this group.<sup>128</sup> The eligibility assessment process is expedited to ensure that immediate needs are met. Applicants do not have to meet the work-search requirement or make an employment plan for up to six months, but they must still meet the income and asset tests, with some accommodations. Income and asset tests are modified to exclude the income/assets of the perpetrator unless it is income that the applicant is receiving (i.e., child or spousal support). Jointly held assets can be excluded if it is determined that the other owner will not co-operate or contacting them would cause a safety issue. If an applicant is not eligible for Temporary Assistance or Disability Assistance because of income or assets, and they have dependent children, they may still be eligible for hardship assistance. Abuse or violence does not have to be verified at the time of application; it must only be disclosed. Abuse can be physical, psychological, or emotional and include intimidation, threats, stalking, unreasonable restriction on financial or personal autonomy, or intentional damage to property. If minor children are involved, the Ministry of Children and Family Development (MCFD) must be contacted.<sup>129</sup>

When viewed through our justice-based analytical framework, available government supports for people fleeing violence are inadequate for both the number and needs of people fleeing violence, and have barriers to access that prevent them from fully supporting a person's autonomy from the abuser. First, prior to the COVID-19 pandemic, an average day saw more than 200 women and children turned away from transition houses in B.C. because of lack of space (Steacy, 2020). Second, there is no specific support to help people experiencing or fleeing violence get assessed for TBI, let alone become informed about the possibility that they are suffering from TBI, although there are more general TBI-related programs across the province.<sup>130</sup>

Further, those who do manage to escape their abuser have a serious lack of access to money. Just over 50% of people fleeing violence in Canada experience financial abuse (Moreau, 2019). This suggests that many people fleeing violence have little or no financial independence. Their only apparent recourse is applying to IA. However, IA does not provide sufficient income for a person who has fled with nothing with which to

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<sup>128</sup> The Crime Victim Assistance Program may be able to provide financial support in some cases.

<sup>129</sup> All information on IA in this paragraph was collected from the *BC Employment and Assistance Policy and Procedure Manual* (Government of British Columbia, 2020)

<sup>130</sup> See <https://www.braininjurycanada.ca/abi-associations/british-columbia/>

re-establish their own home, such as furniture, clothes for their children for school, and food for the pantry. If the person does not have sufficient income to clothe, bathe, and feed a child, and IA is aware of the situation, their children may be taken by MCFD. This makes victims fearful of applying for IA in the first place.

### Supply-side housing supports

The government should provide more funding for both short- and long-term housing facilities for people fleeing violence. Transition houses are turning people away at an alarming rate, and those who have completed their stay in a transition house must find a longer-term rental, move in with family/friends, move back with their abuser, or become homeless. Of those who leave a transition house, 21% move back into a residence where their abuser lives (Moreau, 2019). Providing more short-term and long-term housing for people fleeing violence can help end the cycle of abuse. Focus should be on providing housing in areas where there is an inadequate supply of affordable housing, particularly in rural areas; if a domestic violence victim must travel to escape their abuser, they may be unable to escape because of a lack of transportation.

The government could use short-term rentals (such as Airbnb's) as short-term housing for people fleeing abuse. The large number of them in urban areas make them well-suited to providing a measure of safety for people fleeing violence. Crisan (2020) details how the government and non-governmental organizations can work with short-term rental platforms to make temporary housing available to those fleeing violence, building on Airbnb's existing Open Homes programs.

**Recommendation 42 (short term):** Increase funding for both short- and long-term housing facilities for people fleeing violence, especially in areas where there is a lack of access to appropriate temporary housing, particularly rural areas, and consider making use of short-term rentals.

### Income plus wraparound supports

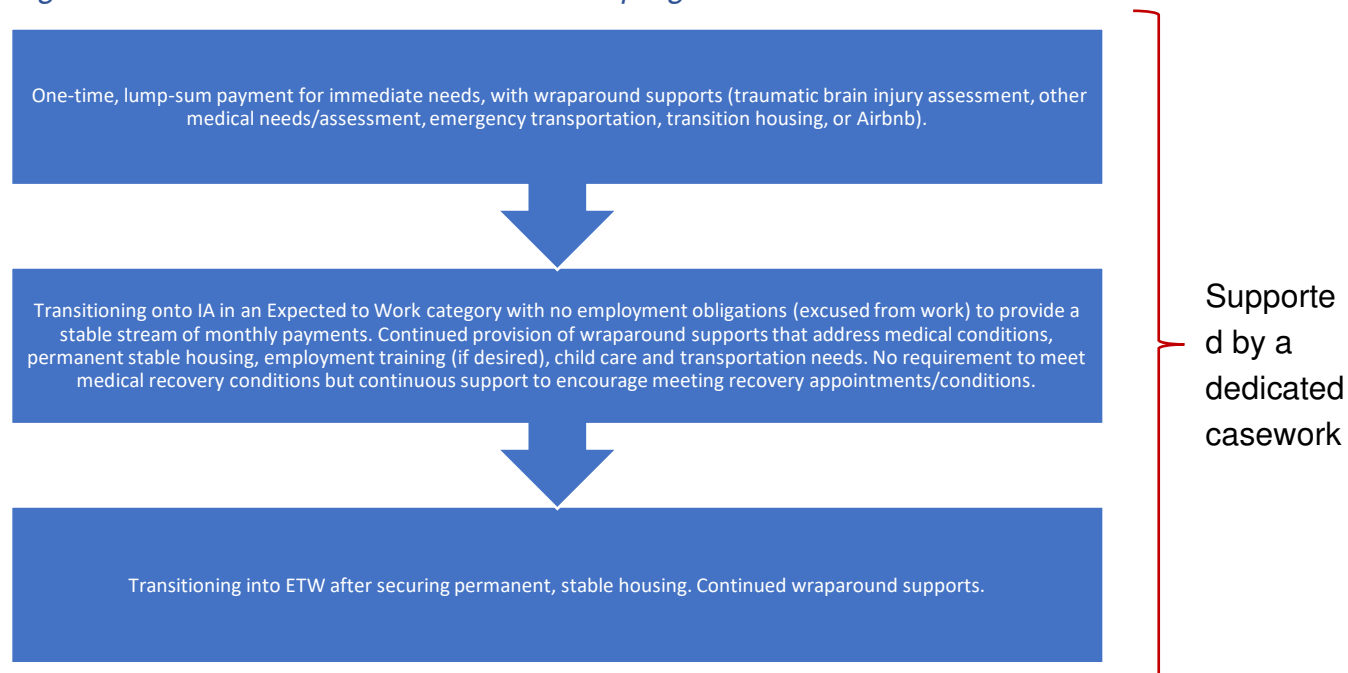
Once a person has left their abuser and moved into a transition house, to ensure that they do not have to return they must have supports to establish their own household and be able to do so as quickly as possible. One monthly IA benefit payment is not sufficient to establish a household. The government should introduce a new program that provides a one-time lump-sum payment of about three to four months' worth of IA

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to people fleeing violence to assist them in establishing their own household.<sup>131, 132</sup> This should not require IA eligibility/receipt (although it could still be income-tested). Domestic violence victims should be made aware of this program, and eligibility should be assessed on entry into a transition house. For those who apply for this new program, additional wraparound supports should be provided. These would include information on and assessment for TBI, and a dedicated caseworker from the community with knowledge of community- and government-provided supports the people may have access to, as well as an understanding of the local culture (particularly the culture of the person fleeing violence). Those who apply for the lump-sum payment should also be automatically assessed for IA eligibility (if they are not already receiving it).

These reforms to Income Assistance and the lump-sum provision would result in a three-tiered support for people fleeing violence, as shown in Figure 6-2.

*Figure 6-2: Three-tiered domestic violence program*



First, IA should be redesigned to include a new category for people with high needs who are not necessarily disabled (though domestic violence victims may have a temporary

<sup>131</sup> A similar program currently exists in Alberta, but the amount given is based on the actual cost of the immediate needs. We find this to be limiting because it is unclear what costs are considered reasonable/unreasonable and it requires people fleeing violence to assess their costs before applying, unnecessarily adding complexity. See <https://www.alberta.ca/family-violence-costs-leave.aspx> for more information on the Alberta program.

<sup>132</sup> This lump-sum payment should be in addition to IA monthly payments.

disability, especially if they have a TBI). Those fleeing violence would fit into this category. Employment requirements should be more flexible; people fleeing violence would work with their dedicated caseworker to decide when and if they are ready to apply for paid work. The current six-month time limit may not be adequate for all domestic violence victims.

Second, this new category of IA should provide access to more wraparound supports in an integrated fashion, such as supports that address TBI and other medical conditions, permanent housing, and transportation needs (e.g., extend the Disability Assistance transit pass). Finally, for both the lump-sum provision and this new branch of IA, a person fleeing violence should not have to prove that they have experienced violence: if someone claims they are fleeing violence, they should be believed. This will help encourage people to leave their abusers and reduce the associated with income programs and/or being a person fleeing violence.

**Recommendation 43 (short term):** After consultation with domestic violence experts on program design, introduce a three-tiered program to address domestic violence:

1. Provide a substantial initial lump-sum payment equivalent to three to four months of Income Assistance benefits, accessible without proof of violence
2. Enhance hardship assistance for people with transitional high needs that integrates cash benefits with access to wraparound supports to address, for example, traumatic brain injury and other medical conditions, permanent housing, and transportation needs
3. Transition people into the Expected to Work category of Income Assistance after securing permanent stable housing, with continued wraparound supports

For all of the reforms discussed above, before design and implementation, experts in the field of domestic violence, as well as experienced people who work directly with people fleeing violence should be consulted.

## 10. Labour regulation reforms

Our justice-based framework has led us to focus on working conditions for a number of reasons. First, both self- and social respect are rooted in our places in the productive structure of society. People need to work and feel productive to have a sense of self-efficacy and to feel respected by those around them. Of course, the work does not have to be paid work in the labour market, but a considerable portion of it will be there. Second, we spend a large portion of our lives at work, and if the conditions there are such that we feel a lack of control and dignity, then a crucial component of our society is less than just. Third, low worker power will also show up in unequal wage bargaining that contributes to inequality.

We examined the B.C. labour market in detail in Part 3, Section 4 (Labour Market Trends), based on Green (2020d), to address the question of whether and how work is changing. Data for B.C. does not point to a recent trend toward more precarious work, but it does show a structural shift toward less worker control and more inequality during the weak labour markets of the 1990s that has not been reversed. Those shifts coincided with a weakening of protections provided by Unemployment Insurance<sup>133</sup> and Income Assistance, followed later by reductions in labour regulation protections.

The result was a shift toward more precarity in work in many forms, such as part-time work, gig work and, importantly, a more fissured workforce in which more work is done through contracting agencies. Workers in jobs such as janitorial services and food service are often no longer direct employees of the firms where they do their work. In many cases, precarious work equates to reduced worker rights and benefits because labour regulation applies imperfectly.

For example, fissured work reduces regulatory protections because the firm setting working conditions in the workplace is not the employer to whom the regulations apply. There is also evidence that fissured work reduces wages by segregating lower-paid workers organizationally from the higher-paid employees conducting the core business of the workplace. The trend toward fissured work may be ongoing (at a slower rate than in the late 1990s), but whether increasing or not, its level is concerning.

Added to these issues are growing concerns about systemic racism in workplaces and the fact that fissured jobs are disproportionately held by racialized and female workers.

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<sup>133</sup> EI's predecessor program in effect at the time.

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About one in five single adults living in poverty work more than 40 weeks in the year, and these are disproportionately female workers in the sales and service sectors. The COVID-19 pandemic has served to both exacerbate and expose these inequalities, with the majority of job losses happening among female workers in the service sector.

Increasing the proportion of better-paying jobs with good working conditions will significantly bolster the beneficial impact of the broad income and social support system reform program we are recommending. A sound system of government support can be a basis for individuals developing skills and finding employment, as well as helping them through bad times. But if available jobs are unattractive in terms of work conditions and wages, that acts as a strong disincentive for those receiving support to move back into the workforce. Reforming the government support system and reforming labour markets therefore are complementary policies.

Reforming labour regulation is ultimately about readjusting workers' power over their work toward a place of greater balance. As Anderson (2017) points out, firms always need a certain level of control over workers in order to effectively coordinate work, but this must be balanced against workers' rights and their need for dignity if workplaces are to take their place as a fundamental element of a just society. We believe that, in recent decades, this balance has been lost in B.C., with policy changes that substantially weakened the worker side of the equation. Not only does that affect the proportion of "good" jobs, but it can also create a tilted competitive playing field for business in many cases. To be clear, the goal of our recommendations is to find a better balance, not to create an imbalance in favour of workers. This fits with our notions of reciprocity and public support as part of a just society.

As discussed in Part 4, Section 5.7 (Labour Market Regulation), labour regulation in B.C. falls under the *Employment Standards Act* (ESA) and the *Labour Relations Code*. The provisions set out in the legislation attempt to find the balance we have discussed, reflecting a long process of negotiations and consideration of standards that are fair to both workers and firms. Amendments to the ESA (in 2019) and the *Labour Relations Code* (in 2018, 2019 and 2020) were important steps toward restoring balance, but we believe that further steps are called for.

### 10.1 Employment standards issues

One important employment standards issue concerns whether all relevant workers are covered by employment standards and are able to ensure that those standards are

followed, through effective enforcement. Attention has been focused on which workers should be covered by the ESA through the recent emergence of ride-sharing companies in B.C. and other disruptive labour models, an issue faced by many jurisdictions. There is a risk that widespread use of these work arrangements beyond ride-sharing firms and the other firms using disruptive work models could remove many workers from the protection of the fair provisions that have been embodied in the ESA. That shift could increase precarity for those workers and, and make them more likely to fall into and be unable to escape from poverty.

The ESA definition of an employee, on which ESA coverage turns, is broad, with a default presumption that any questions about the definition of “employee” in unclear situations will be determined in favour of the worker. This may mean that many gig workers, including ride-share workers, will ultimately be determined to be employees under the act, but this determination awaits specific decisions of the regulatory agency (the Employment Standards Tribunal) and subsequent court rulings.

Given the potential importance of gig work in the future, we believe that it would be preferable to proactively consider what the most appropriate employment standards regime would be for workers in these work arrangements. Ride-sharing, while not involving a large group of workers, can be used as an example for developing specific employment standards principles, policy, and potentially legislation that would be applicable generally to these arrangements as well as specifically applicable to ride-sharing. In addition to addressing whether or not these workers are employees, this is an opportunity to consider what specific employment standard protections gig workers need, which standards may be inappropriate given the business model, and what criteria should apply to determine that for future novel gig work arrangements.

**Recommendation 44 (short term):** Develop policy and legislation that apply appropriate employment standards to gig work arrangements in a consultative process that includes businesses and workers associated with both disruptive and traditional business models/work arrangements.

Workers can also be excluded from the protection of the ESA because their jobs are specifically excluded from its provisions. The British Columbia Law Institute (2018, p. xviii) calls existing exclusions under the ESA “bewildering in their number and complexity,” while

no readily discernible principle explains why some occupations and job situations are excluded from the Act entirely (e.g., some professions,

sitters, students employed by their schools, registered investment dealers), others from specific parts of the Act (e.g., managers, resident caretakers), others from parts of the Act except certain provisions (e.g., fishers, farm workers, election workers), others from specific sections (e.g., taxi drivers, livestock brand inspectors, loggers). (p. 44)

**Recommendation 45 (short term):** As recommended by the British Columbia Law Institute, undertake a thorough review of exclusions under the *Employment Standards Act*, with a view to establishing clear principles for exclusions, in particular farm workers and fishers.

Enforcement of the legal standards for workers acknowledged as employees under the ESA is a further important element of establishing fair workplaces. The 2019 changes to the ESA included important steps toward a more proactive approach to enforcement by eliminating worker self-help kits and requiring the Employment Standards Branch to investigate all complaints accepted for resolution by the branch. Previously, the approach had been to emphasize speedy resolutions of cases, with an implication that investigations should be limited. One benefit of a move toward a more proactive approach would be relieving workers of the burden of filing complaints in order to determine whether workers are employees within the meaning of the legislation and are thereby covered by the ESA.<sup>134</sup>

**Recommendation 46 (short term):** Continue the move toward a proactive stance on enforcing regulations, including providing enough resources for the Employment Standards Branch to make random regulatory compliance reviews stratified on the basis of industries' compliance histories, including reviews of whether workers are classified as employees under the *Employment Standards Act*.

The province has made steps toward limiting fissured work arrangements, particularly with amendments to the *Labour Relations Code* extending successorship protections to contract retendering. However, we believe that more should be done in this area, especially since there are concerns that fissured work arrangements are, in part, attempts to avoid the regulations under the ESA.

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<sup>134</sup> Complaint mechanisms will still be available for workers and complaints might even be expected to increase in the near term because of increased educational outreach.



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Suggestions for changes that others have made and that we see as potentially fruitful directions include the following:<sup>135</sup>

- Treat all firms related to the work conducted at a workplace as jointly and severally liable for meeting employer obligations under the ESA. Since the intermediary firms are often smaller and less stable, this could greatly heighten effective worker coverage. As far as we understand, B.C. already has a provision that extends responsibility for unpaid wages beyond the intermediary firm in situations where there is contracted work in some sectors. This proposal would involve extending this protection to all provisions of work arrangements covered by the ESA.<sup>136</sup>
- Increase regulatory enforcement of the licences (and, especially, operating without a licence) for temp agencies and increase the penalties for infractions when recently passed licensing requirements are brought into force. Most importantly, impose penalties on the final-level firms for using unlicensed or otherwise non-compliant intermediary firms.
- Apply severance pay and severance condition standards to temp agencies and their employees. They are currently exempt from those conditions in some specific circumstances.
- Eliminate buy-out clauses that prohibit workers from shifting from the temp agencies to working for the client firm. Removing these clauses will give workers more power and reduce the extent to which they are treated as indentured assets owned by the intermediary firm in the work interactions.

Apart from issues related to coverage and enforcement of existing regulations, the ongoing concerns about precarious worker arrangements raise questions about whether special treatment is needed for part-time, part-year, and other variable-hours workers. To address that, we believe the government should carry out an evaluation of the usefulness and feasibility of changes in legislation related to specific issues facing workers in part-time jobs and jobs with hours uncertainty. Areas of potential

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<sup>135</sup> These recommendations come mainly from Johal et al. (2019) and Ivanova (2019).

<sup>136</sup> Section 30 of the ESA provides that producers and farm labour contractors (the one form of temporary help agency that is currently subject to regulation under the ESA) are jointly and separately liable for wages. The proposal could extend the application of Section 30 to all temporary help agencies. A 2002 amendment that weakened this provision could also be revisited.

investigation include hourly pay rates for part-time workers, providing notice to workers for hours changes, and minimum shift-length provisions.

**Recommendation 47 (short term):** In coordination with the Recommendation 45 review, build on recent employment standards legislative changes to further improve employment standards and their application, with particular attention to fissured work and variable-hours workers (e.g., part-time and part-year workers) through a consultative process with broad terms of reference. That includes considering joint and several liability for employment standards, enhanced enforcement of temp agency licensing, applying severance standards to temp agencies, eliminating temp agency buy-out clauses, regulating equity of wage rates, and setting scheduling standards.

### 10.2 Labour relations issues

Balance in worker-firm relations is, of course, also directly affected by worker representation at the workplace. Private sector unions have seen a long, steady decline in B.C. Some of that decline is a result of changes in the industrial structure, with a shift away from capital-intensive industries, where workers could threaten to idle the capital, to more service and trade industries, where turnover is high, but some may also stem from policy changes that have made certification more difficult. The 2019 changes to the *Labour Relations Code* reversed some of those policy effects, including shortening the time between an application for union certification and an employee vote from 10 days to five days.

**Recommendation 48 (short term):** Investigate options for increasing worker access to unionization, especially in sectors like the service sector, where high turnover has made unionization difficult. This could include sector-level unionization, such as already exists in the construction and health-care sectors.

Related to this recommendation is the creation of industry advisory councils. These were a key element the B.C. Advisory Panel on the Labor Relations Code recommendations for amendments to the code, intended to put labour relations in a more co-operative stance. We believe that this is a particularly important recommendation, fitting with our overall goal of a more just society founded in principles of reciprocity. Establishing councils with both employer and employee representation could be an important first step toward an environment in which workers feel that they are partners in enhancing the viability of industry. We view this as likely to be of

practical usefulness in spurring increased productivity, but also to be a real step in enhancing workers' sense of dignity and participation in a key part of their lives.

The 2019 *Labour Relations Code* amendments included a provision enabling the minister to direct the Labour Relations Board to help the parties establish an industry council. The description of the goals of such councils in the amendment are exactly the same as in the advisory panel's recommendations. The councils would enhance union/employer collaboration on issues such as coordinating efforts at training and technology adoption as well as work standards. We believe that the next step is for government to take a proactive role in creating industrial advisory councils and providing them with governance infrastructure resources, such as meeting space and secretariat services.

**Recommendation 49 (short term):** Immediately direct the Labour Relations Board to encourage and facilitate the establishment of industry advisory councils, not waiting for applications from employers or unions, and provide funding to support the governance of the councils.

One key point at which existing unionization is often lost is when the firm holding a contract for work changes. Indeed, in some instances, a change in contracting is seen as an opportunity to eliminate unionization. The Expert Panel on Modern Federal Labour Standards (Johal et al., 2019) saw the issue of maintaining worker representation and worker rights through such contracting changes (what they called the continuity of work) as particularly important. Employees covered by federal regulations were not protected from having their job tenure clock restarted when contracts were rolled over, even if they continued to do the same work.

The 2019 *Labour Relations Code* amendments strengthened successorship rights (the right of a union to continue to represent workers through a firm change) for a set of specified contracted services in contract retendering situations. The list of covered services can be expanded by regulation, but it is not clear to us why this does not simply apply to unionized workers in all sectors. Moreover, the provision that worker contract conditions be continued even if there is a retendering of a contract should be extended to non-union workers.

**Recommendation 50 (medium term):** Amend the *Labour Relations Code* to extend successorship rights for specific sectors to all sectors, subject to exemptions granted in accordance with clear, objective criteria. Examine the possibility of establishing protections similar to worker continuity rights for non-union workers in the *Employment Standards Act* or other legislation.

Finally, workers are affected by a variety of provincial and federal policies, including regulations under the ESA, workers' compensation, federal disability benefits, and tax provisions through the Canada Revenue Agency. As the Expert Panel on Modern Federal Labour Standards pointed out, the definition of an employee varies across the different policies, creating gaps that workers can fall through.

We believe there should be an examination of all definitions of “employee” in B.C. statutes and regulations, with the aim of developing a single, provincial definition. That definition should directly address definitions of independent and dependent contractors, taking—as in the ESA—as inclusive a stance as is reasonable in defining who is an employee. We believe a coordinated definition could be helpful for workers, but it could also allow for a more coordinated approach to supporting workers' rights and entitlements and level the competitive playing field for business by ensuring that they all provide working conditions consistent with ESA standards.

**Recommendation 51 (medium term):** Rationalize definitions of “employee” across the different parts of the B.C. government, and initiate discussions with the federal government to coordinate definitions across levels of government.

## 11. System and Income Assistance cross-cutting reforms

The purpose of this section is to recommend a set of reforms to the income and social support system in general and the Income Assistance (IA) program in particular, with the intention of creating a more just system. In keeping with our approach of considering both how to address the needs of specific identified groups (targeted reforms) and how to improve the system generally (cross-cutting reforms), this section outlines cross-cutting reforms, some of which are also discussed in other sections, such as Section 2 (Reforms Targeting People with Disabilities), where the context requires. This section relies heavily on two research papers that we commissioned: *Systems-Level Reforms to British Columbia's Income and Social Support Programs Along Basic Income Lines* (Petit & Tedds, 2020g) and *Income Assistance in British Columbia: Reforms along Basic Income Lines* (Petit & Tedds, 2020b).

One of the principles underlying these recommendations is the proposed shift in provincial programs from a cash-transfer system with added services and in-kind benefits to a basic services system that also provides cash transfers as needed to fill gaps in the federal government's cash-transfer programs. That will help prepare the B.C. system to integrate with a federal system with fewer gaps, our vision for a federal/provincial income and social support system better aligned with our analytical framework and a just society.

Some of these recommendations may seem like details, but it is the details that often make the difference in terms of whether a program treats users with dignity. We have likely overlooked many details, but we hope these can and will be addressed through ongoing reforms informed by consultation with affected groups and by the framework we have proposed.

### 11.1 Tax system accessibility reforms

Accessibility of benefits is key to providing people with adequate resources, thereby promoting autonomy and self-respect. A program that provides needed resources may have benefits at an adequate level, but that is neither effective nor fair if barriers prevent those the program is supposed to help from accessing benefits. One of the claims made for a basic income is that its relative simplicity greatly enhances access. Across the current income and social support system, accessibility is limited by:

- inconsistent eligibility criteria

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- siloed programs that do not share system knowledge or data, or provide access to other relevant programs
- an extremely high level of complexity, due to many complex programs
- high levels of skill and knowledge needed to successfully complete applications for most programs, with few having automatic enrolment
- operational complexity and lack of transparency that make it difficult for successful applicants to comply with and manage their ongoing relationships with programs

Over the past few decades, the personal income tax (PIT) system has increasingly become a vehicle for delivering income and social support programs by both the federal and provincial governments, usually in the form of refundable or non-refundable tax credits. It is useful because it covers a significant proportion of the population and already collects the financial information needed to provide income testing. PIT data-sharing is also used for many income-tested programs not delivered via PIT. Changes could be made to more effectively use the PIT benefit delivery and PIT data to enhance the accessibility of the B.C. system, as outlined in the following recommendations.

### **Dogwood Benefit**

Tedds et al. (2018), in the report of the MSP Task Force commissioned by the B.C. Ministry of Finance, recommended combining and enhancing the two then-existing provincial refundable PIT tax credits—the sales tax credit and the climate action tax credit—and branding it as the Dogwood Benefit. In this report, we are also recommending enhanced tax credits related to children, housing, and low-income earnings supplement. We support the MSP Task Force’s recommendation of combining B.C. refundable tax credits and continuing to deliver them jointly through the CRA.

**Recommendation 52 (short term):** Combine B.C. refundable tax credits—including the sales tax credit, the climate action tax credit and the Child Opportunity Benefit—as well as any new tax credits implemented as part of recommended income and social support reforms, such as B.C. Rent Assist and an enhanced earning supplement, in a new Dogwood Benefit.

### **Harmonize the definition of income**

In order to apply income testing to the benefits of any specific program, “income” must first be defined for that specific purpose. As discussed in Part 4, many different

definitions of income are used throughout the system, which can result in unintended program interactions, where a change in one benefit can affect the amount of or eligibility for another benefit. It affects accessibility by contributing to complexity and making it difficult to predict the total impact of, for example, working more hours. Although most programs use income tax concepts and definitions in calculating income for their purposes, IA is the most significant outlier. In Section 2 (Reforms Targeting People with Disabilities), we recommended that a reformed benefit be delivered by the tax system and that the definition of income used for the benefit match the definition used by the federal government to provide assistance to seniors through Old Age Security/Guaranteed Income Supplement. That definition uses only elements that are defined for PIT purposes, so it can be calculated using income tax data.

**Recommendation 53 (short term):** Adopt the definition of income used by the federal government for Old Age Security/Guaranteed Income Supplement income-testing purposes as the definition used for all provincial programs, adjusted only where the purpose of a program dictates the use of an alternative.

### Automatic tax filing

While the tax system has considerable advantages for delivering cash transfers as part of the income and social support system, it has one significant drawback: low tax-filing rates among the most vulnerable population, as discussed in relation to a basic income in Part 5, Section 5 (Claims Made For or About a Basic Income), and to the current system in Part 4, Section 3.3 (Programs by Method of Delivery). Low tax-filing rates arise both from barriers to tax filing and the fact that only people who have taxes owing need to file. Not filing a tax return excludes many people from benefits for which they qualify, including both those delivered by the tax system and those that use tax data to determine eligibility or benefit levels. The number of these programs has increased over the years, and our recommendations would increase them further.

However, the Canada Revenue Agency (CRA) receives information about many people who do not file taxes as part of the system's payroll deduction and withholding tax requirements. As discussed by Petit et al. (in press), this could be used in two ways. A first step would be for the CRA to provide all IA recipients issued a T5007 slip with pre-populated tax returns that can easily be filed, either as provided or with amendments to, for example, declare self-employment earnings or provide other information not already collected by the CRA. Limiting this to IA recipients would enable the IA program to help ensure that recipients receive and file the tax return, reducing barriers to filing for at

least that group. A more fundamental reform would be to expand the idea to a broader class of people who are not required to file tax returns because they owe no tax but would or could benefit from doing so, and exploring automatic deemed filing for some people. That would require more extensive administrative and likely statutory change.

**Recommendation 54 (short term):** Engage with the Department of Finance Canada and the Canada Revenue Agency to develop mechanisms to lower barriers to tax filing, especially pre-populated tax returns for Income Assistance recipients and potentially others not required to file tax returns, and automatic tax filing.

### Increased tax system responsiveness

Part of the reason for our conclusion that a basic income should not be implemented now as the basis for B.C.'s income and social support system is that it is not cost-effectively practical to implement and administer a basic income that is responsive to within-year variations in individuals. However, if the income tax system were more responsive to within-year changes in income, it would be more feasible for the province, or preferably the federal government, to consider a basic income. Basic income aside, increased income tax system responsiveness would improve the effectiveness of existing benefits and, as some other countries already do, allow for automated tax collection and filing for many tax filers. That is a logical extension of our previous recommendation. In effect, it would require the current payroll deduction system to be expanded in terms of employers reporting monthly by employee rather than just aggregate totals, and by requiring monthly reporting also on other payments to individuals that should be included in income. The result would be reduced compliance burdens for taxpayers, increased benefit accessibility and reduced non-compliance. Such a change would represent a fundamental reform in terms of both tax policy and tax administration that would have many implications and take considerable time to design and implement (Petit et al., in press). Nevertheless, it is the direction required to make Canada's 20th-century tax system into the 21st-century tax and benefit system it has been evolving toward.

**Recommendation 55 (short term):** Engage the federal government on reforming the personal income tax system to be more responsive to within-year changes in income, and thereby improving it as a benefit delivery platform.



### **Improved administrative access to income tax data**

For programs not delivered through the tax system—especially programs that provide services and in-kind benefits rather than cash transfers—tax data is nevertheless the best source of income information for eligibility and benefit-level purposes. Generally, tax data can be shared with programs for this purpose only with express written permission of the applicant/user. An example of this is Fair PharmaCare, which has a deductible based on income. To ensure that permission to access the data is obtained, people must apply for the program and explicitly give their permission, even though the program is universal. An alternative that should be considered would be to provide permission as part of the annual tax return, enabling programs to move to automatic enrolment and provision of benefits.

**Recommendation 56 (short term):** Engage the Canada Revenue Agency on taxpayers giving permission on their annual tax return to share tax data for benefits-administration purposes generally or for specific programs, instead of requiring program applications to establish data-sharing permission.

## **11.2 Making programs into a system**

### **Overcoming tax system–induced program inaccessibility**

Recommendations 54, 55, and 56 are directed at dealing with the inherent difficulties imposed by use of the tax system as a benefit platform, but these are all matters of federal jurisdiction where the province has limited influence at best. In addition, even if some or all of the issues these recommendations are intended to address are resolved in a timely way, that will not fully resolve the root of the accessibility issue—many people do not and will not file income tax returns. There are many reasons for that, but lack of personal capacity, lack of needed information, and lack of trust in the system are common. Not everyone can be in the income tax system and it is not a moral failing. In particular, tax-filing is a challenge for people with developmental and cognitive disabilities, people in long term care, and people with episodic hospitalizations. Making it easier to file or even having deemed filing will help, but there will always be a population with significant unmet needs and for whom a tax-filing requirement will be an insurmountable barrier to accessing income-tested support.

We believe that what is needed is a way to identify people who do not file income tax returns and provide them with access to benefits and services for which they are eligible. That objective would significantly increase the effectiveness of the current set of

programs in dealing with many of the most vulnerable and with the greatest unmet needs. The difficulty is in verifying people's identities to prevent fraud and maintain public trust. Of course, that is the value of the income tax system, because it takes care of verification for those that comply with the requirement to file, or who choose to do so when not legally required to. Income Assistance undertakes this function directly for applicants and recipients, providing a mechanism for applicants without identification to be verified and using the monthly reporting process to minimize fraud. It is limited to a relatively small population of active applicants and recipients, but over time the program does come in contact with many in the vulnerable, non-tax filer group. But there is still a population, the size of which is unknown, that has no contact with either Income Assistance or the income tax system and therefore misses out on benefits for which they qualify.

This problem is also an issue for emergency preparedness. In a disaster like an earthquake or a pandemic, it is also important to be able to accurately identify those with little contact with these two administrative systems and to be able to verify their eligibility for cash transfers or in-kind benefits that need to be mobilized quickly to mitigate the disaster's effects.

We think the basis for addressing this problem lies in the BCID card, an identification card that can stand alone or be incorporated in the driver's licence that is required for access to Medical Services Plan (MSP) health-care resources. Essentially, because MSP is universally available to all B.C. residents, most people have contact with the health-care system, and that requires verified identification. This provides an opportunity to at least close some of the gap between the tax-filing population and the population eligible for income-tested benefits.

**Recommendation 57 (medium term):** Develop a platform for the identification and verification of residency and income of non-tax filers using Income Assistance and BCID card/Medical Service Plan data that would be used across the system of income-tested cash transfers and basic services and for the purpose of disaster response.

Successful implementation of such a platform would significantly enhance accessibility across the system. The platform would have to be administered in the spirit of balancing access to benefits and prevention of fraud, with at least an initial emphasis on trusting the person. It would require significant resources to reach out to underserved communities to find and inform people of the advantages of being registered with this platform and to convince them that they can trust it. That would be an extension of the

role currently played by the community integration specialists described in Part 4, Section 5.1 (Income Assistance). It would also require resources to conduct the same type of verification already undertaken for Income Assistance applicants for the additional population of non-IA recipients/non-tax filers. Note that Recommendation 62 calls for additional Income Assistance resources.

### Cross-program accessibility

Impediments to data sharing combined with a siloed approach contribute significantly to program accessibility barriers. In addition to the tax data sharing issues discussed above, explicit permission is also required to share data among programs.

One way to help people better navigate a complex system would be to apply an automated approach that assesses data collected by each program to determine which other programs, if any, the applicant is reasonably likely to qualify for. The applicant would be informed of the results and given the option of receiving fully or partially pre-populated applications for the programs, along with information about how the program works, how to apply, and what additional information is required. The advantage of this proposal is that it does not require any sharing of personal information, but simply uses information provided to make the applicant aware of other potential programs and makes it easy for them to apply. An extension of that concept would be to also use tax data in the assessment if the person had already given permission to use tax data for the purposes of the program. Once again, data would not be shared. Finally, where no additional information is required to assess eligibility, there could be automatic enrolment in additional programs, which would require data sharing and thus permission.

**Recommendation 58 (medium term):** Consider developing a system that uses data provided for one program to inform people about other programs they may be eligible for, and provides pre-populated applications and, where possible, automatic enrolment with data-sharing permission.

### Making silos more transparent

Another cross-program accessibility measure would be to treat income and social support programs as a system, with common features, such as a common online information and application portal and cross-training of caseworkers and administrators, to better help people navigate more than just the one program for which they are responsible.

We do not believe that there should be one big program administered by one agency. The complexity of B.C.'s programs arises because many of them provide services and in-kind benefits for particular groups and circumstances that are, for the most part, better served by separate programs. But having programs within opaque silos is also not effective, and a balance must be achieved.

**Recommendation 59 (medium term):** Enable programs to work together and make the points of access for the various programs also points of access for the rest of the system, through the use of technology and through staff training and job descriptions.

### System governance

Complexity in the system also arises because income and social supports address a wide range of needs, many of which are also aligned with other service areas covered by government, such as health, education, post-secondary education and training, justice services, child welfare, and labour. That results in many different agencies and ministries managing parts of a system that is rarely recognized as such. Changing how all those pieces are managed is not an option, but recognizing the system through a system-wide governance structure is possible.

**Recommendation 60 (short term):** Establish a governance structure within which policy development and administration across the income and social support system can be coordinated and overarching direction can be applied to implementing government's priorities and policy decisions.

### 11.3 Income Assistance cross-cutting reform

Section 2 (Reforms Targeting People with Disabilities) and Section 3 (Reforms Targeting Working-Age Adults) set out a range of recommendations that would significantly reform Disability Assistance (DA) and Temporary Assistance (TA), respectively, with the specific changes tailored to the diverse nature of the two parts of Income Assistance (IA). However, there are also some elements of IA that apply equally across the whole program and where there is no reason for taking a different approach in reforms for DA and TA. It is these issues that we address in this section.

#### Indexing Income Assistance cash to the Market Basket Measure

The purpose of cash benefits is to provide people with adequate financial resources to exercise their agency and make decisions about how to live their lives. In other

sections, we've made recommendations about the level of benefits for different groups, always in relation to the Market Basket Measure (MBM) poverty line. But once the provincial government sets benefit levels, it frequently does not change them for extended periods. Because the cost of basic needs increases with inflation, the adequacy of the benefits decreases over time, defeating the purpose of the benefits.

The MBM poverty line is specifically designed to measure the cost of basic needs, as opposed to, for example, the Consumer Price Index, which is designed to measure the cost of an “average” basket of goods purchased by consumers at significantly higher income levels. Since MBM thresholds differ geographically within B.C., an average of B.C. MBM threshold changes would need to be used to establish an indexing factor for benefit levels.

**Recommendation 61 (short term):** Index Income Assistance benefit levels to inflation, as measured by changes to Market Basket Measure thresholds, with regular annual increases required in legislation.

### Increased staff resources

In the 2002/03 IA reforms, B.C. moved its administrative approach to IA from one involving considerable face-to-face contact with staff to one that focuses on online applications with less staff interaction and fewer office locations. Between 2000 and 2014, the number of IA-specific offices fell from 128 to 77. The decline most affected small communities—closing their only office—but also the biggest cities (the number of offices in Vancouver declined from 22 in 1991 to 6 in 2019). The closings reduced costs of delivery, of course, and for some applicants the online application is convenient. But Green, Hicks, et al. (2020) shows that areas defined by Forward Sorting Areas—the first three digits of a postal code—that lost their closest office saw a 6% decrease in the caseload associated with people living in the area, compared with similar areas where the closest office did not close. That is, closing offices reduced access to benefits.

A key concern is that this reduced accessibility has been felt more by vulnerable populations. Respondents to the outreach conducted as part of the Poverty Reduction Initiative stated that the requirement to apply and answer questions mainly online or by telephone was viewed as a significant barrier (Hertz et al., 2020).

More recent actions have improved the user experience, especially in some locations. These include providing access to computers in IA offices for use of the online system, and increases in community integration specialist staff specifically to assist clients. But a

more extensive readjustment, providing more in-person support, is needed. This can be seen as a process of bringing support work that has been offloaded onto non-governmental organizations back into the Ministry of Social Development and Poverty Reduction, where training standards for staff can be enforced and the location for applying to the system becomes clearer. Hertz et al. (2020) summarize the Poverty Reduction Initiative (PRI) responses regarding access as follows: “Ultimately, the PRI data reveals three main types of front-end barriers: technological infrastructure barriers; conflicting alternative service providers and external application processes; and complex application processes with variable front-line discretion” (p. 12). The goal must be to reduce all of these barriers by simplifying the system and providing more in-person support.

The shift in emphasis that we are suggesting—from cash transfers to basic services—requires additional human resources associated with the program, and a program focused not only on supporting people with the resources they need but on supporting them in accessing those resources. That applies equally to extended health services, Assisted to Work programs, and community-led public employment.

**Recommendation 62 (short term):** Enhance Ministry of Social Development and Poverty Reduction staff resources by:

- making additional community integration specialists widely available at points of access to help people navigate and understand the system
- including more ministry staff with lived experience related to poverty
- funding non-governmental organizations to provide additional services to overcome lack of trust of the ministry and of program staff, with appropriate processes in place to ensure effective communication and working relationships between ministry and organization staff

### 11.4 Consultation and program evaluation

Effective policy change requires a combination of rigorous evaluation of available evidence and ongoing consultation with affected groups. Both are crucial, as is providing those participating in consultation with the evidence arising from program evaluation

Rigorous evaluation of policies can be done in different ways. One approach is through pilot projects. We were charged with considering whether B.C. should undertake a basic

income pilot project, and in Section 1 (Vision and Conclusions) we concluded that B.C. should not. Our multiple reasons for reaching this conclusion are detailed in Part 5, Section 7 (“Should B.C. Pilot a Basic Income?”). However, we are strong believers in the importance of careful ongoing evaluation of existing programs and the initiatives that we have proposed.

Pilot projects are similar to scientific experiments: Individuals (or, sometimes, communities) are randomly assigned to either get the new policy treatment or to be monitored as part of a “control” sample. The core idea is that the control sample allows us to see what would have happened to the “treatment” sample in the absence of the new policy and thus to measure its net effect. This allows us to address issues of selectivity, where simply comparing those who choose to take up a program with those who don’t confounds the actual effects of the policy with underlying differences between those who take up the program and those who don’t.

The controlled experiment approach has been described as the “gold standard” of policy evaluation by some policy analysts, but it has a number of shortcomings. First, it often ignores community-level effects—spillovers to relatives and others in recipients’ communities. Some of these spillover effects can be subtle, such as a policy that helps IA recipients with their resumés, improving their job access to the detriment of others who don’t get this help, or altering the set of wages and prices in the economy. Second, experiments have fixed durations that are often relatively short. In the case of a basic income, where some of its projected impacts arise through people choosing a different path in life based on having a permanent income backstop, this is particularly problematic. However, the same issue applies to most policies. Third, implementing experiments and taking the time to analyze them rigorously delays policy action in the short term. And fourth, a pilot of a basic income would not permit the large tax policy changes needed to finance a real-world program to be undertaken, and as our analysis has suggested, the behavioural responses on the funding side could exceed those on the beneficiary side.

Our preferred approach is one in which the first step is to determine a policy direction based on existing empirical evidence and consultation with affected groups. Once the direction is determined, the policy would be rolled out incrementally with both rigorous empirical evaluation and consultation with affected groups at each step. Systematic roll-outs can be done in a way that allow us to evaluate impacts while addressing the selectivity issue described earlier. They also allow us to observe wider (and sometimes unintended) impacts on communities.

The following recommendations are intended to enable our continuous improvement based on evaluation and consultation to be effectively implemented.

### **Program evaluation and data access**

Regardless of whether this specific approach is followed, careful empirical evaluation of policies is necessary to create effective programs. The lifeblood of such evaluation is data. Our analyses have greatly benefited from access to linked data created by the B.C. government's Data Innovation Program (DIP). To the greatest extent possible, our specific recommendations are based on evaluations using the DIP data and other data such as from the census and Statistics Canada's Labour Force Survey. All of this data is de-identified—that is, there are no names and data can be used only in ways that do not present observations on individuals or even small groups who might be identified from their data patterns. Future evaluations will also need the DIP data, which allows analysts to study a range of outcomes, including high school completion, IA receipt, interactions with the criminal justice system, and health outcomes. Complete analysis of a program requires taking account of all of these outcomes.

For all of its advantages, the DIP data to which we were given access had two shortcomings. First, it contained a linkage of records ending in 2017. Because much of what we wanted to examine was earlier policy changes, this did not pose substantial problems for us, but using the data to study recently rolled-out programs obviously requires data that is as recent as possible from an administrative and technical point of view. Future evaluations will require more timely, ongoing updating of linked, de-identified data.

The second issue pertains to the specific data. DIP is unable to include income tax data for reasons related to federal/provincial tax administration agreements as well as federal and provincial legislation. Income tax data is among the most important data for evaluations and so must be part of the data environment. Making this happen will require extra effort—possibly including changes in legislation—but is absolutely crucial.



**Recommendation 63 (short term):** Design all income and social support system reforms with the explicit intention of rigorously evaluating the outcomes as input to further policy changes, including ensuring that the data needed to evaluate the reforms is collected as part of the policy design.

**Recommendation 64 (short term):** Create de-identified linked databases using administrative data that is updated in an ongoing, timely manner, with appropriate access protocols to allow programs to be designed and evaluated based on quantitative evidence without risking individuals' private information. Crucially, this must include income taxation data, which will require federal agreement and potentially legislative change.

### Human rights–based consultation

Deriving directly from the public trust characteristics that are a fundamental part of our justice-based framework, effective and ongoing consultation is a theme that runs through our recommendations. In Section 2.6 (Community Building) we discuss the particular importance of including those who will be affected by policy changes and others with an interest in the process of changing policy and administration. Doing so effectively is, of course, necessary throughout the government policy realm and is well recognized by most governments, including the B.C. government. It means more than pro forma engagement with those directly affected. It also must include other groups, such as advocacy and service delivery groups, and those who are more likely to be funders through their taxes than beneficiaries. It also means more than discussing policy proposals about to be enacted or implemented: it means ongoing engagement. It is not easy to do that effectively. People burn out from too much consultation, especially when they don't feel like they are being heard or making a positive difference by engaging.

As discussed in Section 2.6 (Community Building), a human rights approach such as that implemented by the federal government with the *National Housing Strategy Act* provides a potential model, especially to the extent that Canada, and therefore B.C., have obligations under international agreements like the *International Covenant on Economic, Social and Cultural Rights* and the *UN Convention on the Rights of Persons with Disabilities*—recognizing that meeting basic needs in a just manner is a human right. The model puts a positive responsibility on government to respect those rights, but without making them enforceable in court or for individuals. Rather, the approach operates at the systemic level through an independent advocate and a representative

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council able to make non-binding recommendations to government, which of course must make the ultimate decisions.

**Recommendation 65 (medium term):** Consider adopting a human rights–based approach to consultation that would apply across the income and social support system.

## 12. Summary of Recommendations

Section 1 (Vision and Conclusions) established the basis for our recommendations as the means to take the next step toward achieving the vision we have laid out. We have concluded that justice-based reforms to the existing system are a better approach to moving B.C. policies forward than implementing a basic income for all as the core of the income and social support system.

Our recommendations are an attempt to set out a comprehensive but feasible suite of short- and longer-term reforms to both the system and the set of individual programs that it comprises, based on our analysis of the system and with the objective of making B.C. a more just society. Many of the changes are intended to improve cash transfers and basic services directed at particular groups that have clear but distinctive unmet needs—people with disabilities, low-income single adults (the group with the worst poverty outcomes), former youth in care, women fleeing abusive relationships, and families with children. Others strengthen the basic services safety net by improving services related to housing and health care for all low-income households, supporting those with barriers to employment to work, and using labour regulation to reduce the precarity and increase the dignity associated with many low-wage jobs. These changes will be particularly beneficial for the people whose often precarious situations have been highlighted by COVID-19—women and Indigenous and racialized people. Finally, we recommend changes that will improve the system itself, making programs simpler, more accessible, more responsive, and better co-ordinated. In many cases, we recommend changes affecting cash transfers that directly incorporate basic income elements and, where appropriate, targeted basic incomes.

Overall, the 65 recommendations we make represent a challenging and comprehensive reform to B.C.'s income and social support system. In many cases, much detailed design work and extensive consultation and collaboration with interested parties will be needed to implement the changes. For that reason, we have divided our recommendations among those we believe can be implemented in the short term (43 recommendations) and those that will take longer to fully develop (22 recommendations). Fiscal realities and the difficult decisions associated with allocating funds among innumerable competing public policy priorities may delay or preclude making all of the recommended changes, but many have little cost, or significant benefit given the cost. We recommend that any implementation be done in a purposeful, incremental manner, involving both empirical evaluations and extensive consultation at

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each step. We believe that, taken as a whole, the path that we have sketched out will move B.C. considerably toward a more just society.

The following table lists our recommendations consecutively by section, with cost estimates provided by relevant ministry staff and an indication of how the recommendations would be implemented. For costs, we considered any estimated cost of less than \$400,000 to not be material.

The total of the estimated annual costs shown in the summary table is about \$3.3 to \$5.0 billion, a substantial portion of which could be offset by eliminating the home owner grant,<sup>137</sup> which has a current annual cost of over \$800 million. In terms of timing, the cost of the recommendations we have categorized as short-term would be about \$1.4 billion, and the cost of medium-term recommendations would be \$1.9 to \$3.6 billion.

In comparison, according to simulations presented in Part 5, Section 4 (Simulation Results), an income-tested basic income with a similar budget would have a maximum benefit amount of less than \$10,000 if applied to family income with a benefit reduction rate of 30%. Such a basic income would reduce the poverty rate by nearly two percentage points, a tangible amount. However, the recommended targeted basic income approaches and targeted basic services, together with significant improvements to existing programs we are recommending, would direct those tax dollars much more effectively to address unmet basic needs. We are confident that our proposed approach would move British Columbia further down the path to a just society than the basic income alternative.

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<sup>137</sup> See Part 4, Section 5.4 (Home Owner Grant).

Recommendation	Timing	Estimated Cost	Implementation
<b>Reform Disability Assistance (DA) into a targeted basic income</b>			
<b>1. Replace disability subcategories</b>			
Replace the current Persons with Disabilities, Persons with Persistent Multiple Barriers, and Expected to Work—Medical Condition categories with two disability categories: one for those with long-term disabilities, Moderate-Persistent Disabilities (MPD) and Severe-Persistent Disabilities (SPD) designations combined into an MPD/SPD category, and a second for those with short-term disabilities or disabilities where the severity and duration have not yet been determined, a Temporarily Unable to Work category, all based on the definitions recommended by the 2016 Expert Panel.	Medium term	\$5 to \$10 million annual	Legislation, regulation and system change
<b>2. Reform application process</b>			
Implement an initial triage step within the common application portal, in which people with disabilities are guided to an evaluation system specifically for them, essentially separating the application streams early in the process.	Medium term	Not material	Refinement of existing practice
<b>3. Revise application forms</b>			
Revise application forms as recommended by the 2016 Expert Panel and require objective medical evidence to be provided.	Medium term	Not material	Regulation and system change
<b>4. Eliminate DA Asset test</b>			
Eliminate the asset test for disability categories.	Short term	Not material	Legislation and regulation change

Recommendation	Timing	Estimated Cost	Implementation
<b>5. Relax DA income test</b> <p>Set the income test applied at the time of application for disability categories at the break-even level (i.e., the point at which benefits are fully phased out under the reformed benefit structure), so that people can apply so long as they would receive any amount of benefit if their application is successful.</p>	Short term	\$80 million annual after full take-up	Regulation change
<b>6. Reform adjudication process</b> <p>Implement the recommendations of the 2016 Expert Panel related to the adjudication process. In addition, create a chief medical officer position for the disability system.</p>	Medium term	Not material	Possible legislation and regulation change
<b>7. Eliminate reassessment</b> <p>Limit eligibility review for people designated as MPD/SPD to factors other than their disability designation. People who have not reached MMI should be expected to commit to pursuing recommended treatment to the best of their ability.</p>	Medium term	Not material	Legislation and regulation change
<b>8. Convert DA to a targeted basic income</b> <p>Reform Moderate-Persistent Disabilities/Severe-Persistent Disabilities benefits (or, if those categories are not adopted, Persons with Disabilities benefits) into a targeted basic income, delivered by the Canada Revenue Agency (CRA) as a refundable tax credit, subject to federal government agreement. The Ministry of Social Development and Poverty Reduction would continue to be responsible for eligibility adjudication. On designation, the CRA would be responsible for calculating benefits and delivering payments, as with other refundable tax credits. Recipients experiencing an income drop could opt out of CRA benefit delivery, reverting to monthly benefit calculation and delivery by the ministry until revoked in a subsequent tax filing.</p>	Medium term	\$ 2 million annual	Legislation and regulation change

Recommendation	Timing	Estimated Cost	Implementation
<b>9. Increase DA benefit to MBM threshold</b> Move the monetary benefit for those on Disability Assistance at least to the poverty line by increasing the maximum benefit amount: <ul style="list-style-type: none"> <li>for single people in the Severe-Persistent Disability, Moderate-Persistent Disability, and Temporarily Unable to Work categories by \$500 per month, to \$20,196 annually, and</li> <li>for couples and other family types proportionately. For couples in which both people have a disability use a scale factor of 1.41, for an annual benefit amount of \$28,560.</li> </ul>	Short term	\$840 million annual plus caseload growth	Regulation change
<b>10. Lower DA BRR and maintain income exemption</b> Lower the Disability Assistance benefit reduction rate at which benefits are reduced as income increases from 100% to 70%, and maintain the earnings exemption at levels taking effect January 2021 (e.g., \$15,000 for singles).	Short term	\$400,000 annual	Regulation and system change
<b>11. Create public and community employment</b> Design and implement a program that funds community groups for projects that provide jobs to people with disabilities (and some other targeted groups), with lower expectations than market jobs, and with wages integrated into their Income Assistance benefits.	Medium term	\$5 million annual	Regulation change
<b>12. Integrate support for addiction and mental health disabilities</b> Integrate the provision of Income Assistance benefits to people with addiction and mental health issues with the full range of measures addressing the opioid crisis as they evolve over time, with involvement from other social policy areas, such as public health and the justice system.	Short term	TBD	Legislation, regulation and practice change
<b>13. Review addiction support</b> Undertake an independent program evaluation of how Income Assistance supports those with addictions in the context of the full set of supports and approaches focused on this population to inform detailed design of Disability Assistance program reforms.	Short term	Not material for review	

Recommendation	Timing	Estimated Cost	Implementation
<b>Reform Temporary Assistance (TA) to reduce the “welfare wall”</b>			
<b>14. Eliminate work-search requirement</b> Eliminate the three-week work-search requirement by combining the current Stages 1 and 2 in the application process. Applicants should be immediately assessed for job readiness and moved onto employment plans to help with job preparation while receiving benefits. Those deemed job ready should be given immediate, lighter-touch support while also receiving benefits.	Short term	\$15 million annual	Legislation and regulation change
<b>15. Engage federal government about COVID-19 recovery benefit rationalization</b> Engage in immediate talks with the federal government around reforms to the Employment Insurance system and broader supports that are likely to arise as Canada emerges from the COVID-19 pandemic. The goal would be to create an integrated system with a clear statement about which program and level of government is helping which population group.	Short term	No cost	Engagement ongoing
<b>16. Initially maintain current TA income test</b> Initially, continue to use the maximum benefit level as the income eligibility test for Temporary Assistance.	Short term	No cost	None
<b>17. Increase TA income test threshold in medium term</b> Gradually raise the income eligibility test amount, eventually reaching the break-even income level, learning from experience to adjust the system along the way.	Medium term	\$1.5 million annual	Regulation change
<b>18. Eliminate TA asset test</b> Eliminate the asset test for Temporary Assistance.	Short term	\$3.5 million annual	Legislation and regulation change



Recommendation	Timing	Estimated Cost	Implementation
<b>19. Extend TA streamlined reapplication</b> Keep the case files of recipients open for two years after income rises above the break-even level for recipients over age 50, allowing streamlined reapplication with the income test threshold set at the break-even level. Consider reducing the age limit in future, based on evaluation of results.	Short term	Not material	Regulation change
<b>20. Increase TA benefit levels by making COVID-19 emergency \$300 supplement permanent</b> Make the \$300 per month COVID-19 emergency increase in Temporary Assistance benefits a permanent increase.	Short term	\$305 million annual plus caseload growth	Regulation change
<b>21. Lower TA BRR and maintain income exemption</b> Lower the rate at which Temporary Assistance benefits are reduced as income increases from 100% to 70%, and maintain the earnings exemption at levels taking effect in January 2021.	Short term	\$2.5 million annual	Regulation change
<b>22. Evaluate training support</b> Evaluate the Single Parent Employment Initiative. If it is increasing education levels and post-education employment, earnings, and self-respect, expand the program to offer it to all recipients of Expected to Work benefits.	Short term	\$5 million annual for program	Regulation change
<b>23. Expand earnings supplement</b> Expand earnings supplements targeting low-income-earning adults with no children, using a revenue-neutral reconfiguration of the Canada Workers Benefit combined with a provincial top-up delivered as a refundable tax credit administered by the Canada Revenue Agency.	Medium term	\$400 million annual	Legislation change

Recommendation	Timing	Estimated Cost	Implementation
<b>Provide extended health-care benefits to all low-income individuals</b>			
<b>24. Convert extended health supplements to a basic service</b>			
<p>Establish an income-tested extended benefits system for all low-income households and individuals regardless of their Income Assistance status, with the following features:</p> <ul style="list-style-type: none"> <li>phased implementation, starting with joint administration of IA health supplements, MSP supplementary benefits, and the Healthy Kids Program</li> <li>benefits administered independently from IA through a dedicated extended health benefits administration agency, and ultimately funded separately from IA</li> <li>expansion of coverage to a wide range of medical and health services, supplies, and devices, with standardization of dental services a priority</li> <li>reduction of extended benefits coverage as income rises, using an approach similar to Fair PharmaCare (i.e., there would be no deductible or co-payment for those with income below the MBM, and recipients' share of costs would increase smoothly with additional income until the subsidy is ultimately phased out)</li> </ul>	Medium term	\$0.6 to \$1.0 billion annual fully phased in	Legislation, regulation and system change
<b>Provide housing support to all low-income renters</b>			
<b>25. Combine support and shelter allowance</b>			
Combine the support and shelter components of Income Assistance cash benefits into a single payment that is not conditional on having shelter costs. However, if our later recommendation for a B.C. Rent Assist program is implemented, the programs should be integrated by deducting the B.C. Rent Assist benefits from the Income Assistance benefit.	Short term	\$80 million annual	Regulation change
<b>26. Expand targeted supportive housing</b>			
Continue expanding the amount of supportive housing targeting individuals with mental health and addiction issues as well as housing initiatives directly addressing homeless persons.	Short term	TBD	None

Recommendation	Timing	Estimated Cost	Implementation
<b>27. B.C. Rent Assist refundable tax credit</b>			
Create a B.C. Rent Assist program as a refundable tax credit, with a benefit based on the difference between a set fraction of the median provincial rent for a household-appropriate unit and 30% of household income for all low-income households that incur rent. For people receiving Income Assistance (IA) benefits, the Rent Assist benefit would displace IA payments dollar for dollar without affecting IA eligibility. The specific details, including the fraction of median rent to be used as the target amount, remain to be determined along with other program design details.	Medium term	\$0.8 to \$1.0 billion annual	Legislation, regulation and system change
<b>Provide intensive work support to targeted groups</b>			
<b>28. Assisted to Work basic service</b>			
Create a voluntary Assisted to Work program similar to that suggested by the 2016 Expert Panel, for people experiencing barriers to employment and who need individualized and ongoing support to achieve labour force attachment—specifically people with moderate and persistent disabilities but also for those with severe and persistent disabilities, youth aging out of care, and the long-term unemployed.	Medium term	\$20 to \$25 million annual	Legislation, regulation and system change
<b>29. Joint rehabilitation and work support agency</b>			
Consider creating a specialized government agency to provide assessment, rehabilitation, and work support services to serve people with disabilities being served by Income Assistance, WorkSafeBC, and ICBC.	Medium term	TBD	Legislation, regulation and system change
<b>Enhance support for low-income families with children</b>			
<b>30. Refocus Child Opportunity Benefit</b>			
Adjust the B.C. Child Opportunity Benefit by both increasing its benefit reduction rate and having it vary with the number of children in the family to better target low-income single parents in a cost-neutral fashion.	Short term	Intentionally cost-neutral	Legislation and regulation change

Recommendation	Timing	Estimated Cost	Implementation
<b>Enhance financial and support services for young adults</b>		Overall cost \$120 to \$190 million annual	
<b>31. Increase MCFD resources</b> Increase Ministry of Children and Family Development funding related to child protection and family services, increasing social worker resources with the objective of establishing longer-term continuity of contact between families, vulnerable children and children in care, and ministry social workers.	Short term	Included in overall cost above	Budget and practice change
<b>32. Enhance transition planning and community support capacity</b> Provide core capacity funding for the most effective community organizations helping former youth in care—those that provide a secure environment and base of support from which the youth can make autonomous decisions related to outcomes such as education and employment—to create capacity for transition planning and support.	Short term	Included in overall cost above	Practice change
<b>33. Extend AYA education and training duration</b> Extend the number of allowed months for education and rehabilitation under Agreements with Young Adults beyond 48 months.	Short term	Included in overall cost above	
<b>34. Enhance AYA life-skills support</b> Expand and enhance the life-skills support component of the Agreements with Young Adults program in consultation with affected young adults and organizations that support them.	Short term	Included in overall cost above	

## Part 6: Vision and Recommendations

Recommendation	Timing	Estimated Cost	Implementation
<b>35. Former youth in care Assisted to Work eligibility</b> Make former youth in care eligible for the Assisted to Work program (Recommendation 27), established to provide intensive work supports to overcome significant barriers to accessing good jobs. Design eligibility details in consultation with affected young adults and organizations that support them.	Medium term	Included in overall cost above	
<b>36. Targeted basic income for former youth in care</b> Implement a new targeted basic income benefit for all youth formerly in care, with the following features: <ul style="list-style-type: none"> <li>• benefit at least equal to the Market Basket Measure poverty line</li> <li>• 0% benefit reduction rate</li> <li>• full amount paid for ages 19–21, reduced by 25% per year and phased out at age 25</li> <li>• reduction suspended up to two years for education and training</li> <li>• eligibility for youth in care or in Youth Agreements at 19 or in care for at least two years at a younger age</li> <li>• entering into a young adult agreement not required for eligibility</li> <li>• Agreements with Young Adults program adjusted accordingly and accessible to at least age 27, ensuring that current program participants receive at least as much financial support</li> <li>• <b>must be combined with community supports (Recommendation 37)</b></li> </ul>	Short term	Included in overall cost above	Legislation, regulation and system change

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Recommendation	Timing	Estimated Cost	Implementation
<b>37. Initiate basic income with community support engagement</b>			
Design the financial support program for youth aging out of care so that financial payments and the offered support services would be initiated through a youth contacting one of the service delivery organizations (of the youth's choice) and would involve an initiation session to give the youth information on available supports.	Short term	Included in overall cost above	Legislation, regulation and system change
<b>38. Mandate a ministry to support former youth in care</b>			
Establish a specific legislative mandate and funding allocation for a designated ministry or other government agency to support former children in care. Currently, no single ministry has such a mandate, but it is necessary to ensure that all programs focused on this group are designed and administered in a coordinated, seamlessly integrated fashion. This is particularly important because the list of supports is long, including financial aid, life-skills support, education support, social work assistance, and funding for/operations of community organizations providing support. All of this must be based on ongoing collaboration and consultation with former children in care and other stakeholders.	Short term	Included in overall cost above	Legislation, regulation and system change
<b>39. Establish B.C. Learning Bond</b>			
Implement a \$1,000 B.C. Learning Bond account that is automatically created for children from low-income families at birth or a year after immigration, which can be used only for education.	Short term	\$95 million initial cost \$20 million annual	Legislation, regulation and system change
<b>40. Contribute B.C. Learning Bond for children in care</b>			
Automatically create a learning bond when children are first taken into care, if a learning bond is not already in place.	Short term	Included in overall cost above	Legislation, regulation and system change

Recommendation	Timing	Estimated Cost	Implementation
<b>41. Create B.C. Career Trek program</b>  Create a B.C. version of Manitoba's Career Trek to support low-income children in moving to post-secondary education and training by encouraging increased family engagement.	Medium term	Included in overall cost above	Additional work needed to scale up/expand program.
<b>Enhance financial and support services for people fleeing violence</b>			
<b>42. Enhance housing for people fleeing violence</b>  Increase funding for both short- and long-term housing facilities for people fleeing violence, especially in areas where there is a lack of access to appropriate temporary housing, particularly rural areas, and consider making use of short-term rentals.	Short term	TBD	Practice change
<b>43. Create three-tiered domestic violence program</b>  After consultation with domestic violence experts on program design, introduce a three-tiered program to address domestic violence: <ol style="list-style-type: none"> <li>1. Provide a substantial initial lump-sum payment equivalent to three to four months of Income Assistance benefits, accessible without proof of violence</li> <li>2. Enhance hardship assistance for people with transitional high needs that integrates cash benefits with access to wraparound supports to address, for example, traumatic brain injury and other medical conditions, permanent housing, and transportation needs</li> <li>3. Transition people into the Expected to Work category after securing permanent stable housing, with continued wraparound supports</li> </ol>	Medium term	\$20 million annual	Regulation change

Recommendation	Timing	Estimated Cost	Implementation
<b>Improve precarious employment through labour regulation reform</b>			
<b>44. Develop gig work employment standards</b>			
Develop policy and legislation that apply appropriate employment standards to gig work arrangements in a consultative process that includes businesses and workers associated with both disruptive and traditional business models/work arrangements.	Short term	Not material for review	
<b>45. Review <i>Employment Standards Act</i> exclusions</b>			
As recommended by the British Columbia Law Institute, undertake a thorough review of exclusions under the <i>Employment Standards Act</i> , with a view to establishing clear principles for exclusions, in particular farm workers and fishers.	Short term	Not material for review	
<b>46. Enhance proactive <i>Employment Standards Act</i> enforcement</b>			
Continue the move toward a proactive stance on enforcing regulations, including providing enough resources for the Employment Standards Branch to make random regulatory compliance reviews stratified on the basis of industries' compliance histories, including reviews of whether workers are classified as employees under the <i>Employment Standards Act</i> .	Short term	TBD	



Recommendation	Timing	Estimated Cost	Implementation
<p><b>47. Improve employment standards for fissured work</b></p> <p>In coordination with the Recommendation 45 review, build on recent employment standards legislative changes to further improve employment standards and their application, with particular attention to fissured work and variable-hours workers (e.g., part-time and part-year workers) through a consultative process with broad terms of reference. That includes considering joint and several liability for employment standards, enhanced enforcement of temp agency licensing, applying severance standards to temp agencies, eliminating temp agency buy-out clauses, regulating equity of wage rates, and setting scheduling standards.</p>	Short term	Not material for review	
<p><b>48. Review <i>Labour Relations Code</i> unionization provisions</b></p> <p>Investigate options for increasing worker access to unionization, especially in sectors like the service sector, where high turnover has made unionization difficult. This could include sector-level unionization, such as already exists in the construction and health-care sectors.</p>	Short term	Not material for review	
<p><b>49. Proactively facilitate Industrial Councils</b></p> <p>Immediately direct the Labour Relations Board to encourage and facilitate the establishment of industry advisory councils, not waiting for applications from employers or unions, and provide funding to support the governance of the councils.</p>	Short term	TBD	
<p><b>50. Extend <i>Labour Relations Code</i> successor rights</b></p> <p>Amend the <i>Labour Relations Code</i> to extend successorship rights for specific sectors to all sectors, subject to exemptions granted in accordance with clear, objective criteria. Examine the possibility of establishing protections similar to worker continuity rights for non-union workers in the <i>Employment Standards Act</i> or other legislation.</p>	Medium term	Not material	Legislation change
<p><b>51. Rationalize employee definitions across programs</b></p>			

Recommendation	Timing	Estimated Cost	Implementation
Rationalize definitions of “employee” across the different parts of the B.C. government, and initiate discussions with the federal government to coordinate definitions across levels of government.	Medium term	TBD	Legislation change
<b>Improve the way benefit delivery platforms function</b>			
<b>52. Combine refundable tax credits into Dogwood Benefit</b>			
Combine B.C. refundable tax credits—including the sales tax credit, the climate action tax credit and the Child Opportunity Benefit—as well as any new tax credits implemented as part of recommended income and social support reforms, such as B.C. Rent Assist and an enhanced earning supplement, in a new Dogwood Benefit.	Short term	Not material	Legislation change
<b>53. Rationalize income definition for income testing purposes</b>			
Adopt the definition of income used by the federal government for Old Age Security/Guaranteed Income Supplement income-testing purposes as the definition used for all provincial programs, adjusted only where the purpose of a program dictates the use of an alternative.	Short term	TBD	Legislation, regulation and system change
<b>54. Engage federal government to reduce tax filing barriers</b>			
Engage with the Department of Finance Canada and the Canada Revenue Agency to develop mechanisms to lower barriers to tax filing, especially pre-populated tax returns for Income Assistance recipients and potentially others not required to file tax returns, and automatic tax filing.	Short term	Not material	
<b>55. Engage federal government to increase benefit delivery responsiveness</b>			
Engage the federal government on reforming the personal income tax system to be more responsive to within-year changes in income, and thereby improving it as a benefit delivery platform.	Short term	Not material	
<b>56. Engage federal government to streamline administrative tax data-sharing</b>			

Recommendation	Timing	Estimated Cost	Implementation
Engage the Canada Revenue Agency on taxpayers giving permission on their annual tax return to share tax data for benefits-administration purposes generally or for specific programs, instead of requiring program applications to establish data-sharing permission.	Short term	Not material	
<b>57. Develop an identification and verification platform for non-tax filers to increase benefits access</b>			
Develop a platform for the identification and verification of residency and income of non-tax filers using Income Assistance and BCID card/Medical Service Plan data that would be used across the system of income-tested cash transfers and basic services and for the purpose of disaster response.	Medium term	TBD	Legislation, regulation and system change
<b>58. Automate informing applicants of eligibility for other programs</b>			
Consider developing a system that uses data provided for one program to inform people about other programs they may be eligible for, and provides pre-populated applications and, where possible, automatic enrolment with data-sharing permission.	Medium term	TBD	Legislative change
<b>59. Enhance cross-program system navigation</b>			
Enable programs to work together and make the points of access for the various programs also points of access for the rest of the system, through the use of technology and through staff training and job descriptions.	Medium term	TBD	System and practice change
<b>60. Establish system governance</b>			
Establish a governance structure within which policy development and administration across the income and social support system can be coordinated and overarching direction can be applied to implementing government's priorities and policy decisions.	Short term	TBD	
<b>61. Index Income Assistance rates to changes in the poverty line</b>			
Index Income Assistance benefit levels to inflation, as measured by changes to Market Basket Measure thresholds, with regular annual increases required in legislation.	Short term	\$70 to \$80 million annual	Regulation change

Recommendation	Timing	Estimated Cost	Implementation
		increase to the base	
<b>62. Increase Income Assistance staff resources</b>			
Enhance Ministry of Social Development and Poverty Reduction staff resources by: <ul style="list-style-type: none"> <li>making additional community integration specialists widely available at points of access to help people navigate and understand the system</li> <li>including more ministry staff with lived experience related to poverty</li> <li>funding non-governmental organizations to provide additional services to overcome lack of trust of the ministry and of program staff, with appropriate processes in place to ensure effective communication and working relationships between ministry and organization staff</li> </ul>	Short term	\$10 million annual	
<b>63. Rigorously evaluate major reforms</b>			
Design all income and social support system reforms with the explicit intention of rigorously evaluating the outcomes as input to further policy changes, including ensuring that the data needed to evaluate the reforms is collected as part of the policy design.	Short term	Not material	
<b>64. Create linked administrative data for policy development</b>			
Create de-identified linked databases using administrative data that is updated in an ongoing, timely manner, with appropriate access protocols to allow programs to be designed and evaluated based on quantitative evidence without risking individuals' private information. Crucially, this must include income taxation data, which will require federal agreement and potentially legislative change.	Short term	TBD	Legislative change
<b>Make ongoing engagement a permanent part of all policies</b>			
<b>65. Set up a human rights-based approach to engagement with those affected</b>			

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Recommendation	Timing	Estimated Cost	Implementation
Consider adopting a human rights–based approach to consultation that would apply across the income and social support system.	Medium term	TBD	Legislative change

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